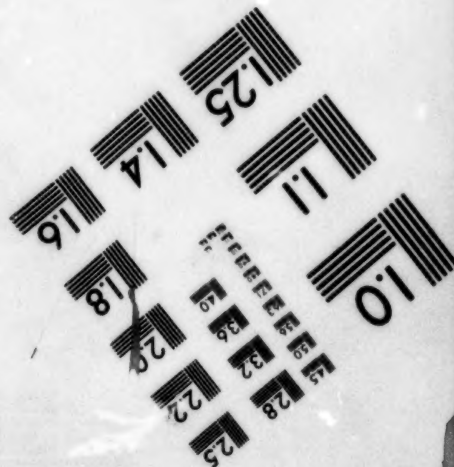
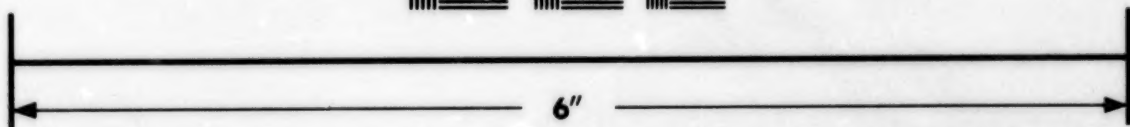
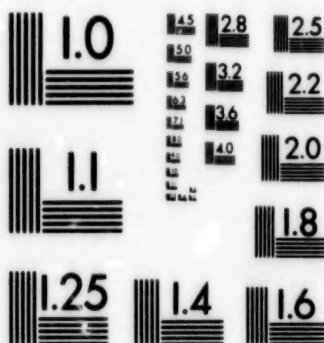


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GERMAN DEMOCRATIC REPUBLIC

Gysi Voices PDS Criticism of Capitalism

90GE0206A East Berlin NEUES DEUTSCHLAND
in German 28 Jun 90 p 6

[Speech by Gregor Gysi, PDS [Party of Democratic Socialism] chairman, at the "most recent" meeting of the party executive committee: "PDS Is Fundamentally Critical of Capitalism"]

[Text] At the most recent meeting of the party executive committee, Gregor Gysi dealt with questions of a necessary new party program. Since many readers evidenced interest in this speech, we are today complying with this wish and publish it.

We have reached—I believe—an interesting point in the discussion, and that is because we are beginning to sense that we are now confronting a task which in its gravity and depth cannot at all be compared to the renewal we had intended in December/January/February. And that, I believe, constitutes the difficulty of our position. At that time, our renewal tasks were focused on formulating opinions on the democratic shaping of an alternative to capitalism.

We have attempted to deal very critically with the past. We have attempted to say why the ideas of 1946 did not work out. We can go on disputing for a few more years whether there was a deformed socialism in the GDR or noncapitalism, a concept which I would prefer. It may get us a little further ahead, but it does not solve the problems we are facing.

Now We Get Capitalism as a Whole

Up to now we somehow started from the premise of what one can learn from these mistakes and wrong developments in order to build up something new here in the GDR. The issue of capitalism was also different. Our approach was this: This and that had not worked, and not in the other Eastern countries, either; we absolutely need a more efficient economy, that is, market economy elements. Then we also need much more democracy, we can also accept a healthy dose of bourgeois parliamentarianism, and then we complement it with grassroots democracy. Then we have to concentrate much harder on the environment, Third World problems, etc. That is to say, we thought selectively. We took what we had and considered what can be transferred from the experiences of other countries in order to make something sensible out of it.

In that phase, our criticism of capitalism could only be weak. And in that phase we came under suspicion of being purely social democratic. Because we said, this we like and that we could use. And this old SED [Socialist Unity Party of Germany] regime really could use a lot of new [ideas]. That is to say, that is a renewal over which we are basically in control; and those who have always had democratic longings controlled it particularly well.

They knew that the meaning of democracy also consists in being a disturbing factor.

But now we suddenly face an entirely different question. Now we are not getting just a little bit of selective capitalism of which we thought that with it, one can go in the direction of democratic socialism. Now we get pure capitalism, capitalism as a whole. And in such a way that nothing remains of what was striven for here for 40 years. At least it appears that nothing remains, except perhaps in the heads of people.

Now the whole thing is taking an entirely different direction. And now we must also renew ourselves in an entirely different direction, for it is no longer a matter of breaking the sole dominance of a party, or of new thinking on how to include others, or which newspapers we will give up. No. It now concerns [the fact] that we no longer have anything at all to distribute, nothing to give away. Today we must wrangle for a little piece of a newspaper.

All in all, this means: We need a new program and a new identity, an identity no longer in the sense of how the SED can renew itself, because the SED was a leading force since 1946. What it made of that is an entirely different question. But from the very beginning, we are not a leading force in this united Germany and will not become one even in the long term. And now we have to adopt a different attitude towards capitalism than we could have during the time when we thought about which of its positive experiences can be taken over for our system. That system no longer exists.

The Question of Differentiation From the SPD Rises Anew

And this naturally poses anew the question of differentiation from the SPD [Social Democratic Party]. Under a socialist sign, to make common cause with the SPD can naturally have decidedly positive elements. Its penchant for an efficient economy, its penchant for democracy—positive elements all—can only point a more radical wing in a truer direction. But the entire problem is different in the capitalist society, else we could simply ask to join them. Because social democracy has made its peace with capitalism, and in principle, but at least in a majority and from the leadership down; in any case, German social democracy. But we will not be able to make that peace. And if we did, we would truly become superfluous. We could only strengthen one wing of the SPD. In this regard, the concepts "left" and "right" play an important role.

They conceal thoughts and feelings about where and how society is to progress. And whether one does something in this regard, or not. Then that again entails coming to grips with history, because one must ask oneself why the first attempt of a noncapitalist society in Germany failed, and whether that is a confirmation of capitalism, or not.

And if I rightly understand some Greens in the FRG, they say what is decisive is not the social question but the ecological one, particularly since solving social questions can further endanger the environment. The starting point for solving ecological problems is what is there. And that is capitalism, so it becomes the starting point. All very simplified. But here, differentiation from the Greens becomes very clear, for we consider this ultimately an illusion, because in our opinion, ecological questions cannot be solved in principle without changing societal structures. True, one can establish new limits, build in new filters, but in our opinion ecological dependence on the Third World compels new societal structures and hence the solution of the social question. Greatest caution must be applied when extreme Rightists try to respond inhumanely to ecological questions, such as: Either mankind subordinates itself completely to the rest of nature, then it is perhaps bearable; or it does not do that, then the [human] species must be greatly decimated—the reasonable elite is permitted to remain. A dangerous position. Therefore, we must clarify immediately how we see the solution of ecological problems.

Ecological Issues Must Be Linked to Social Issues

We are facing further fundamental questions: Does progress mean in the future that we oppose industrial society? And if so, how? And if we oppose industrial society, does that mean that we oppose the solution of the social question? If so, we must also dissolve ourselves. Then we might as well go over to the Greens. That means, in my opinion, that our specific character consists in our linking the ecological issue with the social question. And yet, this also means opposition to the wrong developments of industrial society, but—and that is a noteworthy difference—the struggle against these wrong developments is not waged, for example, against unbridled growth, against exploitation of the Third World and everything connected with it, without also posing the social question and proposing solutions in every individual case. That results from our striving for a society in which freedom of the individual is the precondition for the freedom of all, freedom being understood also in a social sense, that is, in the sense of development of man. Away from false collectivism and toward the individual, but with social and ethical responsibility.

I believe that our program must start with these questions. Here we must become specific, and here we also must offer various solutions. And that can only be done by fundamental criticism of capitalism.

Moreover, there is also the political task of pointing out that capitalism in Germany in future may exhibit very unpleasant traits. The time is over when there existed the GDR corrective. Capitalism no longer needs to be more democratic and social than the GDR, because the GDR no longer exists, the entire East Bloc no longer exists. The chancellor does not even talk about the East Bloc any more. He just said at the meeting of Catholics, the

next 10 years must become the years of Europeans and not of the Japanese. This sentence is a key sentence, because it means that he, or the forces behind him, declares that the East is done with for them. That battle is no longer up for debate, including the Soviet Union. Now the capitalist competitor is again of interest. And that is Japan, which dominates many markets. But for German capital to penetrate there with real success, it needs Europe first. Therefore, the European unification concept held by the chancellor and the forces behind him is totally different from ours.

To them, a united Europe is one in which whoever represents the strongest economic power has the say. And that means that they expect in almost every regard a Europe dominated by Germany. A new superpower of Europe, with Germany at the head. The example of the GDR demonstrates how an entire country can be annexed through capital. And the chancellor has shown how the resistance of the French, the British and all others can be broken in the shortest possible time. And that's how it is to be when it comes to a political union of Europe.

Classless Society Remains the Most Humane Vision

We are not against the political union of Europe, of a Europe of states and peoples with equal rights. Many Europeans fear German dominance, but hardly anyone knows how it can be prevented. And they don't know it because capitalism functions. Capital rules, and the strongest capital rules the strongest. It is as simple as we learned it once upon a time. Meanwhile we no longer wanted to be aware of it, because what stirred us about this capitalism is that it had developed such efficiency and capability for democracy. At least for a while, one could see and hear on television Rudolf Bahro as an opponent of capitalism. But here, one could hardly hear a true Leftist now and again.

We should not permit the question whether we are communists or leftist social democrats. We would be in the position of a painter who had painted a picture with all his soul and skill and who is then to label its style. An attraction, a special trait of ours may consist in our refusal to be boxed in. The communist ideal of a classless society, in which the development, freedom and dignity of the individual is the precondition for the development, freedom and dignity of all, remains the most humane vision of the future. There is no better one, or at least none has been developed so far. In my opinion, no one must cast this ideal overboard. As an ideal, no one can take it away from us.

What is social democratic about us is that we strive for and take seriously reforms even under capitalist conditions. We fight for every democratic, ecological and social progress. We do not say, since we are not changing capitalism in principle with a reform, we reject it [the reform]. We consider this type of sectarianism to be inhumane. But our reform proposals will be more radical in this regard than social democratic ones. And we will

not stop with reforms because of our fundamental criticism of capitalism. We strive for new societal structures.

Who Today Is Still Interested in the Basic Treaty?

In my opinion, our starting point must be the global interests of mankind. It is appropriate to our conception and specific nature to see them in context. And we place no different emphasis on them. We don't say, ecology is so important that everything can be overlooked, or else, the social question is so important that ecology can be neglected; but rather, we put it in the necessary context. And for the reason that these issues can only be solved in context. Every attempt at an individual solution to these questions has failed so far. We are concerned with the roots of the problems. If the social structures of industrial society, of capitalist society are not overcome, no just order of the world market economy can develop, thus endangering mankind ecologically, i.e., existentially. And vice versa, we come to a credible criticism of existing conditions, a credible criticism of capitalism, only by presenting the connection between global issues. It is naturally not enough to say that we are anti-capitalist, we must demonstrate precisely where its treacheries lie. And it is quite clear to me that we are entering a society where it is not enough to simply describe the social differences.

We must present credibly where all this will lead. The existing capitalist structures entail that we will never truly rid ourselves of armaments; and armament is not only already killing today, but it is actually playing with fire. Because people are in charge of armament, and people do not function by reason alone. In other words, armament is always dangerous to life as long as it exists to such an extent. No treaty under international law does any good. Because by the example of the GDR we see how little international law is worth. After all, who is still interested today in the treaty on the basic principles of relations between the GDR and the FRG? That is to say, when actual conditions change, when the basic principles for a political compromise in a treaty under international law no longer exist, it can become a mere piece of paper. And beyond that, the capitalism of leading Western industrial countries leads to social injustice at home and in the relationship with the Third World, leads to shameless financial and economic extortion of the Third World. Thereby it also leads to ecological catastrophe. And it makes the solution of a further human problem more difficult, namely that of true equality of status of the sexes, i.e., overcoming the patriarchy and liberation of women.

We Need the Marxian Approach

So I think that we are actually forced to link the criticism of capitalist society to the criticism of industrial society, namely of the structures of industrial society, without lowering ourselves to the level of iconoclasts of machinery. And for that we still lack theoretical insights. We need the Marxian approach, particularly in analysis.

The question, Left or Right, is certainly also an emotion one with many people. But we should stand by this emotion. There is no reason to be only scientific. Not for a party, either. That is also one of those misjudgments. Membership in a party can also result from emotions, and these emotions can also find expression in concepts. What is special in Germany is that, outside of the GDR, for decades no larger movement or party has dared to call itself Left.

And I maintain, if we profess a fundamental criticism of capitalism, then we must also call ourselves Left, even if that is a somewhat vague concept, but it expresses something that is emotionally important. And that also strengthens the self-assurance of our members. If all are fighting to be in the center, then let us be unequivocally on the Left. That also excludes certain compromises. We shall not make our peace with capitalism. And I am not referring to craftsmen, tradespeople, and entrepreneurs of small and medium-size enterprises. But here it becomes clear that we as a party are taking up a position where we must not be disappointed if other members yet make their peace with this capitalist society and therefore leave us.

Our fundamental criticism of capitalism, which neither misjudges nor denies historical advantages, requires of us greater capability for conflict and less need for harmony. It is more honest, but not comfortable. And the way things happen to be, we will need a long historical breath. And until then, much detailed political work will have to be done, and until then, we will also be attacked from many sides. But at least they are taking us seriously. Our ideas are dangerous, that is why they don't want to have us. And that in turn we should take seriously.

I want to say something on the national question. The SED thesis of two nations was surely wrong. I want to briefly try to justify that: It was wrong to not even struggle for a socialist German nation. It was wrong, among other things, on 13, or rather 14 August 1961, to limit oneself [solely] to the GDR, even in thinking. And it was so wrong because it entailed a totally wrong policy—and incidentally, also an exaggerated power and security policy. If the SED leadership had even thought about wanting to achieve socialism in Germany, then it would have been clear from the beginning that policy must be shaped in a democratic and open fashion. But it was hardly bothered by the fact that our system was not attractive abroad and in the FRG. Securing domestic power was the most important thing, no matter whether socialism, or what was considered as such, held any attraction in the competition of systems.

But we are facing an entirely different situation since today it is not a matter of shaping a socialist German nation. We are facing the situation where the only real attempt to bring about noncapitalist conditions in Germany has failed. But this must lead neither to exaggerated pragmatism nor to resignation. We must not give up our program just because we cannot prevent certain developments.

In Our Opinion, Merger Is the Wrong Way

The idea—to immediately declare joining the FRG in order to prevent a deterioration of social conditions here and to secure more state constitutionality—would be a step with which we could not live historically. Moreover, I do not believe in the social success, that is to say I do not believe that social problems could actually be mitigated through joining; that, however, could naturally never be ascertained afterwards. That would become a purely theoretical dispute. The leftists in the FRG and the rest of Europe would not understand it. And we would strip ourselves of all chances to still fight for any conditions, such as a new constitution. We are not the ones who can break off this battle.

If the FRG Government wants, the processes here can be managed socially for a certain time, and if it doesn't, they are simply not manageable. In our opinion, merger is the wrong way, and unity is out of the question for us before international questions are not clarified, particularly the military status of the future Germany. But once the unified Germany is there, the national question becomes even more difficult for us. When the SPD tried to outdo the Right in this regard at the end of 1989/beginning of 1990, it failed. Rightists are simply better at it. We may as well accept that from the beginning. But then, we are better at antinationalism and internationalism, no Rightist manages that. Nonetheless, the question of the feeling of national identity is a psychological problem for [our] members. This requires solidarity amongst ourselves.

The PDS [Party of Democratic Socialism] Is Not the Core of the New German Left

Our attitude is important for left alliances. We are not the core of the new German Left or the yardstick, rather, we want to take our place in left movements. But we also don't have to declare ourselves marginal figures. Although it is psychologically understandable, it is wrong from the point of view of party and movement. After all, we are in this party because we assume finding right answers here, just as others are in other parties because they assume finding right answers there. That must be granted to every party and every movement, and also to us. One can put oneself into question with regard to whether one has found answers and whether one must search for new ones, but one cannot place oneself on the sidelines.

A word on the number of full-time coworkers which has to be reduced further. The comparison with parties in the FRG is dishonest, because they do not count their parliamentary staff. I do think that we will have to build down further, that we certainly have to think about new structures, and I feel the linking of party and movement is good. Of course, what must not result from it is that we combine the disadvantages of a party with the disadvantages of a movement, but we must try to pay attention so that we combine the advantages of a party with the advantages of a movement. And there will always be

disputes about that. And here we will also be allowed to experiment a little, else we won't find out about it. I have just read a proposal, for example, to make it possible for members to also organize themselves in interest groups and task forces in such a way that they pay their [membership] fees there and practically no longer work in the grassroots organization in order to avoid a double burden. That, of course, harbors a danger. The grassroots groups become emaciated. And it leads to organizational problems, even in collecting membership fees. That is why I think that every member should also be organized in a grassroots group. In future we must develop structures which truly activate grassroots groups, because policy must come from below.

If necessary, in all-German elections we must struggle to get above the five-percent hurdle. The political struggle must be carried out and used and would not be over even if it failed. We are looking for partners in alliance, also because we know how important a left alliance is for the political culture in an all-German parliament. And we have good chances for overcoming this undemocratic hurdle.

Let me say something else. In part we still behave as if we were responsible for the functioning of the state. That has something to do with our origin! But here more oppositional thinking is needed, particularly in the future united Germany.

And then it has been said here that we are not into the thinking and feeling of our members. That is exaggerated, as all such statements, but it is essentially true. That also has something to do with how we are tied into the People's Chamber and similar areas. The link via election campaigns is not enough. I believe we actually need a new information system which makes the connection between the grassroots and party leadership closer and, above all, also more effective, without turning into a permanent actionism.

On the question of our own guilt and how to deal with it. This is difficult for us because, among other things, "atonement work" is demanded of us by people who have no right to do so. If we talk about the degree of guilt, the SED cannot be compared to the other bloc parties. But if the SED was the culprit, they were accomplices. And that is why I must say, the moral attitude of people, who merge or go into coalition with accomplices without the latter having done even the least bit of "atonement work," toward us is dishonest. And FRG politicians have their share in the development of the GDR, and they have made their peace and their business deals with the GDR leadership. It is similar with professors in the People's Chamber who now act as if they had not lived and taught formerly, and actually in a very integrated manner.

Caution With Advice From False "Friends"

If I want to liquidate a party, criticism to be taken seriously is not possible. It is different with political confrontation, that can be carried out, but then one can't

give rules of conduct. It also would not be honest if I were to declare how a CDU [Christian Democratic Union] should look according to my taste; because then it would no longer be a CDU. So we should be careful with regard to advice from false "friends." They don't want us to be nicer, friendlier and more credible, because then we only become an even greater competitor. On the other hand, that does not change the fact that there is also criticism which is completely justified. But it comes above all from people who are truly interested in our becoming a force that finds acceptance, acceptance as broad as possible. All that does not mean that we do not have to deal with the past. However, its meaning cannot consist in trying to please those who want to liquidate us. That need not be done. We are doing it for ourselves.

Trusteeship Law Text Published

90GE0206B East Berlin NEUES DEUTSCHLAND
in German 29 Jun 90 p 10

[Text of the Law on Privatization and Reorganization of State-Owned Property (Trusteeship Law) passed by the People's Chamber on 17 Jun 90]

[Text] NEUES DEUTSCHLAND continues the printing of laws which will come into force as of 1 July 1990. Today the Law on Privatization and Reorganization of State-Owned Property (Trusteeship Law), which the People's Chamber passed on 17 June 1990.

With the intent:

- of reducing the state's entrepreneurial activity as quickly and as far as possible through privatization,
- of establishing the competitiveness of as many enterprises as possible, and thus securing jobs and creating new ones,
- of making available land for economic purposes,
- that, after stocktaking of state-owned property and its productivity as well as its priority use for structural adjustment of industry and restructuring of the national budget, at a later time savers can be granted a documented right to shares in state-owned property for the amount reduced in the currency conversion on 2 July 1990,

the following law is decreed:

Article 1

Property Transfer

- (1) State-owned property is to be privatized.

In certain cases determined by law, state-owned property can also be transferred to communities, cities, kreises, and laender as well as public authorities as their property.

State-owned property which serves municipal tasks and municipal services is to be transferred by law to the communities and cities.

- (2) The Council of Ministers is responsible for the privatization and reorganization of state-owned property and must render account to the People's Chamber.

- (3) The Council of Ministers entrusts the institutional trustee with implementation of the appropriate measures.

- (4) Under the provisions of this law, the institutional trustee becomes owner of the shares of joint stock companies, which were created or have already been created by the time this law comes into force, through conversion of state-owned combines, enterprises, institutions and other legally autonomous economic units (to be called economic units hereafter) entered in the register of state-owned industry.

- (5) The provisions of this Article are not applied to state-owned property that is legally held by

—the state,

—the German Postal Service with its general management, the German Railroad [Deutsche Reichsbahn], the administration of waterways, the administration of the public highway grid and other state enterprises,

—enterprises or institutions subordinate to communities, cities, kreises and laender,

—an economic unit for which a liquidation notice was entered in the register of state-owned property prior to this law coming into force.

- (6) For the privatization and reorganization of state-owned property in agriculture and forestry, the trusteeship must be shaped in such a way that the economic, ecological, structural, and ownership specifics of this sector are taken into account.

Article 2

Position and Tasks of the Institutional Trustee

- (1) The institutional trustee is a public law institution. It serves the privatization and use of state-owned property according to the principles of a social market economy.

- (2) The institutional trustee is subject to supervision by the prime minister.

- (3) The by-laws of the institutional trustee are to be submitted by the prime minister to the People's Chamber for confirmation.

- (4) The institutional trustee's rules of procedure require confirmation by the Council of Ministers.

- (5) The provisions under Article 96, paragraphs 2 and 3 of the republic's budget regulations concerning the administration of enterprises with the juridical form of a

public law corporate body directly under the republic are to be applied to the institutional trustee.

(6) The institutional trustee is to promote the structural adjustment of industry to the requirements of the market, in particular by influencing the development of enterprises capable of restructuring into competitive enterprises, and their privatization. It works toward forming marketable enterprises through purposeful deconcentration of enterprise structures and establishing an efficient economic structure.

(7) In anticipation of future privatization proceeds, for restructuring purposes the institutional trustee can take out loans and issue bonds within the framework, and according to the proviso, of Article 27 of the state treaty concluded between the FRG and the GDR.

(8) The institutional trustee has its seat in Berlin.

Article 3

Board of Directors of the Institutional Trustee

(1) The institutional trustee is managed by a board of directors and is represented in legal matters by members of the board.

(2) The board of directors consists of the president of the institutional trustee and at least four other members of the board. The president and board members are appointed and recalled by the administrative board.

(3) The board of directors must report to the Council of Ministers. It has to publish reports on the progress of privatization at time intervals to be established by the Council of Ministers.

Article 4

Administrative Board

(1) The administrative board has to supervise and support the business activity of the board of directors. For this purpose it regularly accepts reports by the board of directors. The president of the board of directors must keep the chairman of the administrative board informed about all important business matters. The administrative board advises the board of directors of the institutional trustee on all basic issues, particularly privatization and use of state-owned property according to the principles of the social market economy, and on all other tasks under Article 2. It must be determined in the bylaws of the institutional trustee which business matters require approval by the administrative board.

(2) The administrative board consists of a chairman and 16 members.

The chairman and seven other members are appointed by the Council of Ministers.

The People's Chamber elects two members from its midst, one member nominated by the opposition. Seven more members are appointed by the People's Chamber

upon nomination by the prime minister. Above all such persons are to be appointed to the administrative board who possess, in particular, great expertise and extensive experience in the management and restructuring of enterprises and in activity in the capital market.

Article 5

Proceeds and Their Use

(1) The proceeds of the institutional trustee are to be used primarily for the structural adjustment of enterprises—also within the framework of horizontal fiscal adjustment—and secondarily for contributions to the national budget and to cover current expenses of the institutional trustee. The proceeds are used in accordance with the Council of Ministers.

(2) After stocktaking of the state-owned property and its profit capability, and after its priority use for the structural adjustment of industry and restructuring of the national budget, it is provided if possible that at a later date, savers can be granted a documented right to shares in the state-owned property for the amount reduced in the 2:1 conversion of GDR marks to West German marks.

Article 6

Annual Statement of Accounts and Situation Report

The institutional trustee's board of directors must prepare an annual statement of accounts and a situation report. The regulations for capital companies apply to their contents, their examination by independent auditors, and their publication. The annual statement of accounts and the situation report are to be submitted to the administrative board for confirmation.

Article 7

Trust Company

(1) The institutional trustee implements its tasks in a decentralized organizational structure through trust companies which, by number and purpose together with the tasks of the institutional trustee, secure the privatization and use of state-owned property according to entrepreneurial principles.

(2) The institutional trustee is instructed to found trust companies, immediately or at the latest within two months of this law coming into force, by way of founders' cash subscriptions. The shares of the trust companies are non-transferable. The bylaws of the trust companies must be confirmed by the institutional trustee's administrative board.

(3) By decree of the Council of Ministers, the shares in joint stock companies and companies with limited liability owned by the institutional trustee are transferred

to the trust companies. The institutional trustee's administrative board assigns the shares to be held by them to the individual trust companies according to feasibility aspects.

Article 8

Duties of Trust Companies

(1) In consultation with management consulting and marketing companies as well as banks and other suitable enterprises, the trust companies must ensure that in their sector the following tasks are solved managerially and as decentralized as possible:

- Privatization through the sale of business or property shares,
- Securing the efficiency and competitiveness of the enterprises,
- Closure, and utilization of the property of enterprises or parts of enterprises that cannot be restructured.

(2) The trust companies must report to the institutional trustee on the progress of privatization.

Article 9

(1) To ensure efficiency and competitiveness, the trust companies must create such structures in the enterprise of their sector which correspond to market conditions and the goal settings of a social market economy.

(2) The trust companies must also make sure that the enterprises of their sector are placed as quickly as possible in a position so that they can finance themselves through money and capital markets.

(3) In appropriate cases, external consultants must be brought in for improving the profit situation of enterprises and for restructuring programs.

(4) To strengthen the enterprises of their sector, particularly in connection with restructuring measures, the trust companies can use all market possibilities, for instance, take up loans or grant guarantees.

Article 10

Organs of the Trust Companies

(1) The supervisory board members, who represent the institutional trustee in the trust company, are appointed by the institutional trustee's board of directors. Article 4, paragraph 2 applies to them correspondingly.

(2) For employees' representatives on the supervisory boards of the trust companies, the regulations of the law on employees' codetermination are suspended until 31 March 1991 with regard to the election procedure for employees' representatives, in accordance with the provision of the law on putting into operation FRG legal provisions in the GDR. In its place, the trade unions represented in the joint stock companies in which the

trust companies hold the shares, jointly exercise the right of nominating employees' representatives. They can also be represented by proxy.

(3) The members of the board of directors of trust companies are to be experienced in the management of enterprises, particularly in the restructuring and selling of business interests.

Conversion of Economic Units Into Joint Stock Companies

Article 11

(1) The economic units mentioned in Article 1, paragraph 4, which have not yet been converted into joint stock companies by 1 July 1990, are being converted into joint stock companies according to the following regulations. State-owned combines are converted into stock corporations, combine enterprises and other economic units into joint stock companies, preferably into companies with limited liability [GmbH] (hereafter called companies with limited liability).

(2) As of 1 July 1990, the economic units listed in paragraph 1 are stock corporations or companies with limited liability. The conversion at the same time effects the transfer of property from the funds ownership of the prior economic unit and the land held in legal trust to the property of the joint stock company.

(3) According to paragraph 1, not subject to conversion are:

- economic units for which a liquidation notice was entered in the register of state-owned industry prior to this law coming into force,
- the German Postal Service with its general management, the German Railroad, the administration of waterways, the administration of the public highway grid and other state enterprises,
- enterprises or institutions subordinate to communities, cities, kreise, and laender,
- foreign trade enterprises in liquidation which have to complete claims and obligations in Western currencies, according to annex 1, Article 8, paragraph 4, line 1, of the treaty on the creation of a currency, economic and social union between the GDR and the FRG,
- state-owned agricultural estates and state forestry enterprises.

Article 12

(1) The trust companies become owners of the shares of the stock corporations of their sector formed out of the combines, as well as the shares of the companies with limited liability which were formed from legally independent economic units, or of those which have made effective declarations on leaving the combines by the time this law comes into force.

(2) The stock corporations formed out of combines become owners of the shares of companies with limited liability which had been subordinate to the combines before 1 July 1990.

(3) A stock corporation in the meaning of paragraph 2 must offer its shares in a company with limited liability to the appropriate trust company for reasonable recompense, if the management of the company with limited liability demands it.

Article 13

The conversion of an economic unit to a joint stock company must ex officio be entered into the register where this economic unit had been entered heretofore, with reference being made to this law.

Article 14

The name of the joint stock company formed according to Article 11, paragraph 2, must contain the designation "stock corporation being set up" or "company with limited liability."

Article 15

(1) The joint stock company must ex officio be entered in the Commercial Register, with reference being made to this law.

(2) To be entered in the Commercial Register, the joint stock company must submit to the registry court, by 16 July at the latest:

1. Name of the previous economic unit;
2. Name and seat of the company;
3. Business object of the enterprise;
4. Name of every member of the provisional board of directors or of the provisional business managers.

(3) The institutional trustee and the appropriate trust company must be informed at the same time of the data under paragraph 2. In addition, by 31 July 1990 they must be given a list of the assets of the joint stock company at the time of conversion and a provisional concept for business activity. In case of property items whose amount of stock is subject to change at short notice, a physical stocktaking must be carried out by 1 July 1990.

(4) Until the ordinary capital or capital stock are determined in the articles of association or in the bylaws, the ordinary capital of a company with limited liability is DM50,000, the capital stock of a stock corporation is DM100,000.

Article 16

(1) By 31 July 1990, the institutional trustee appoints persons as provisional members of the board of directors or as provisional business managers. Prior to their

appointment, the tasks of the board of directors or of management are to be carried out by the general directors or works managers.

(2) The provisions of corporation law or the law on companies with limited liability, with regard to the position and responsibility of the members of the board of directors or business managers, are to be applied to the persons mentioned under paragraph 1. The institutional trustee is liable for damages resulting from dereliction of duty by these persons in their stead. Restitution claims of the institutional trustee against these persons on the basis of other legal provisions are not affected.

Article 17

(1) Until final determination of the by-laws of a stock corporation formed according to Article 11, paragraph 2, its shares are in the name of their owner. The face value of the shares is DM50.

(2) Until the final conclusion of the articles of association of a company with limited liability formed according to Article 11, paragraph 2, the capital contribution is DM1,000.

Article 18

The fiscal year of the joint stock companies formed according to Article 11, paragraph 2, is the calendar year.

Article 19

Immediately after entry of the stock corporation being set up or of the company with limited liability being set up in the Commercial Register, its provisional management must initiate the legally required measures for the formation of a stock corporation or of a company with limited liability.

Article 20

(1) By 31 October 1990, the joint stock companies must submit to the institutional trustee:

1. The draft of articles of association or by-laws in accordance with the legal regulations, with figures of the ordinary capital or capital stock, and a possibly intended or needed capital increase;

2. Final balance sheet of the economic unit and opening balance sheet on the day of conversion, as well as a list of all rights and duties, claims and obligations, arrangements made with banks, and a regulation on succession in title in case of the intended formation of further companies. The balance sheets are to be examined by the Auditor's Office or auditors or auditing companies;

3. Formation report and situation report, which will also present the course of business and the situation of the economic unit during the last business year;

4. Data on the joint stock companies' area of land.

(2) For economic units which have submitted an orderly application for conversion and the necessary documentation to the institutional trustee before this law coming into force, these requirements under paragraph 1 are deemed fulfilled.

(3) After 31 October 1990, the institutional trustee in conjunction with the joint stock companies can conclude the articles of association or approve the bylaws. After this date, the institutional trustee can order auditors or auditing firms to prepare the formation report and the opening balance sheet at the expense of the joint stock company.

Article 21

(1) The provisional management body must file the implementation of the measures under Article 19 with the Commercial Register. The registration must also include:

1. The articles of association or bylaws;
2. The opening balance sheet;
3. The formation report;
4. The audit report.

(2) In a case of Article 20, paragraph 3, the institutional trustee arranges for the registration.

(3) If the legal preconditions for entry of the joint stock companies have been met, the registry court cancels the notation "being set up" in the name of the joint stock company.

Article 22

Joint stock companies formed under Article 11, paragraph 2, are dissolved as of 30 June 1990, if the measures required under Articles 19 and 21 have not been implemented by that date.

Article 23

Article 11, paragraph 2, and Article 15, paragraph 3 also apply to conversions that were carried out on the basis of the ordinance of 1 March 1990 on the conversion of state-owned combines, enterprises and institutions to joint stock companies (GBL I No. 14, p. 107).

Article 24

(1) Provisions of this law do not affect possible claims for restitution or compensation due to illegal expropriation or interventions similar to expropriation.

(2) This law comes into force on 1 July 1990.

(3) At the same time, the following are rescinded:

—Resolution of 1 March 1990 on the formation of the Institution for Trusteeship Administration of State-Owned Property (institutional trustee) (GBL I No. 14, p. 107)

—Resolution by the Council of Ministers of 15 March 1990 Statute of the Institution for Trusteeship Administration of State-Owned Property (institutional trustee) (GBL I No. 18, p. 167).

(4) The implementing order to this law is issued by the Council of Ministers.

POLAND

Information Gaps Impede Society's, Parliament's Ability To Decide

90EP0698A Warsaw PRZEGLAD TYGODNIOWY
in Polish No 25, 24 Jun 90 p 6

[Article by Dariusz Teresinski: "Quasi-crazy: Who Does Contemporary Polish Democracy Pass By?"]

[Text] Parliament is not just the place where laws are made. Democracy is accomplished in parliament. Representatives of particular political forces implement their programs, and whether or not they sit on the bench the next term depends on how society evaluates their programs. Arrangements which make it possible for the voters to evaluate those elected and decide whether they should be eventually reelected are more important than the shape of legislation which is written. Bad legislation may be changed relatively quickly, and this very process is underway. On the other hand, a period of time expressed in many terms is necessary for this mechanism to become operational. The quality of political programs from the point of view of their suitability for social development and compliance with the views of society (these categories are not always identical in all cases) is verified at the time of elections. However, this always means the next elections.

The existence of distinct political forces which have perceptibly different programs is a premise for democracy. What use are parties, associations, and clubs if information on their intentions may only be obtained virtually at the time one joins them? The issue of access to the mass media is a technical problem; it is more essential whether or not political forces represent something apart from the number and views of their members, and whether they have something to say that may be of interest to potential voters.

In the coming elections, we will elect a pig in a poke rather than a democratic representation of the people! Moving up parliamentary elections in an environment lacking alternative political programs is a waste of time rather than drawing closer to democracy. Representatives of nonparliamentary groups seek to eliminate the overrepresentation of political forces which no longer exist, and this is hardly surprising. However, the goal of elections is not to do justice to the people who have fought for democracy but to give the general populace an opportunity to exercise power.

The degree of inferiority of a democracy depends not only on whether there is a choice, but also on the readiness of the electorate, that is, their genuine knowledge of matters on which they are to make decisions. This knowledge is not provided by the school, the church, or family tradition. Therefore, decisions made at the ballot boxes, be they in the fall, in the spring, or in three years, will be made on the basis of information on the 10th term of the Sejm and the Senate. If the voters manage to identify correctly the political views of the current members of parliament, the mechanism will work.

The sooner the elections are held the more the parliamentary education of the electorate will hinge on television broadcasts of the sessions. After all, a power does not exist which could effect within several months the emergence of powerful political parties and the development of programs by their elite, which could cause the average citizen to deliberately give his vote to a particular party in preference to others.

The political landscape of Poland is shaped mainly by actual or imaginary divisions in the OKP [Citizens Parliamentary Club]. The only real opportunity for the liberals, socialists, and Christian democrats to secure credentials in the next elections is to succeed in "standing out" during plenary debates.

However, how are we to learn whether a given deputy is a liberal, a socialist, or a Christian democrat? By listening to endless broadcasts of the plenary debate? After all, we cannot do it by reading the Sejm and Senate Diary because it does not exist, or by learning who voted which way on specific issues because this is not recorded (at issue is where specific deputies stand on specific issues).

If we have to believe our deputies because they are ours, and cannot check whether they are keeping their promises, then why should we vote for them once again? It would be better to leave them in the parliament for good (and if a seat is vacated, lots may be drawn to fill it).

Responding to the question "Who does contemporary Polish democracy pass by?" we should say: Firstly, the citizens, that is, the electorate, by failing to inform them how their representatives vote. Secondly? Let us look at it from the other side.

The division of powers into executive and legislative generally involves independent power centers making joint decisions on the format of legal arrangements in the state. There was a time when independence was based on gold and regiments of mercenaries; at present, it is based on access to information. The independence of legislative power from executive power and the other way around occurs when they have apparatuses of the same standard for collecting and processing information (for example, the parliament does not have its own center for the study of public opinion; the two largest centers report to the Council of Ministers—the CBOS [Public Opinion Research Center] directly, and the OBOP [Center for

Research on Public Opinion] indirectly as an agency of the Radiokomitet [Polish Radio and TV]).

The deputies frequently are not able to be partners for discussions with the representatives of the government. This is not at all due to the brilliance of all government proposals or the laziness of deputies, but rather to the lack of an information infrastructure which would make possible in-depth familiarization with drafts (within the actually available time). The oversight functions of the parliament will remain merely a pleasant-sounding phrase until this condition is met.

Apart from synthetic data on society and the economy (also from a source independent of the government), the parliamentarians need to read the press systematically in order to make decisions. Due to the well-known difficulties with newsprint and information policy, there is no newspaper in Poland which offers competent and exhaustive information on essential events in the country and the world (and is also published in the morning, in the evening, and on Sunday, plus extra supplements in case of extraordinary events). A complete information service may be collated by watching two TV newscasts, reading between two and four dailies and at least four weeklies (a little bit of Radio Free Europe, BBC, and CNN would be nice). This much is needed to paint a general picture; meanwhile, there are also local periodicals (after all, deputies represent specific regions) and trade publications. It is hard to imagine that members of the economic and budgetary commission do not read, for example, GAZETA BANKOWA.

After this mass of information is absorbed, just several hours will be left to sleep. What about Sejm publications, expert reviews, laws and decrees associated with a given issue, what about meeting the constituents, the press, foreign delegations? What about trips inside the country and abroad (to say nothing of the session of the chamber and the commissions)?

With a view to meeting all of these requirements, the deputies and senators should be allocated four spare pairs of eyes, two doubles, and three days above the norm which astronomical observations suggest—at least within the framework of the current organization of work. It would be good to consider the mode of operations of the government as a whole as well as its individual members, because facilities of this type are not in the cards ("our society will take a dim view of still new privileges for those elected").

The current Polish democracy passes by not only the electorate but also the deputies and senators because it does not guarantee them access to the information necessary for making decisions, and makes productive work impossible, getting them stuck in organizational chaos.

The organization of work of the parliament and the technical aspects of the votes of deputies and senators as a matter of public record may only be discussed after

the parliament expresses its political will to change the current condition. Offering specific arrangements in advance is absolutely pointless, all the more so because these are not issues which nobody knows about, since there are a great number of parliaments in the world and most of them are not constrained by procedural issues.

Wujec on Elections, Parliamentary Clubs, Citizens Committees

90EP0685A Warsaw POLITYKA in Polish No 24,
16 Jun 90 p 5

[Interview with Sejm Deputy Henryk Wujec, secretary of Citizens Committee, by Anna Matalowska; two-part interview, first part granted on 1 June, date of second part not given; place not given: "On the Chessboard"]

[Text] [Matalowska] Our conversation took place in two sessions. This must be noted because at this time the facts have been revealed about a subject on which all of Poland is speculating—Walesa's move with regard to you. We met for the first time after the elections, hence the question about the turnout at the elections—there is no hiding the fact the voter turnout was low.

[Wujec] For the most part, the self-government elections have a lower status than the parliamentary elections. This is particularly the case in Poland and in the countries of our former camp, where the people's councils have not been taken seriously for decades. People themselves must become convinced that the gmina councils really do have great powers and that owing to this they will be able to make practical decisions about the everyday life of residents. For beyond certain judicial or police powers which remain in the hands of central institutions, the rest belong to the self-governments. They will administer finances, they will become the proprietors of communal property, and when they solidify, they will make decisions about all administrative matters...

There are those who generally doubt whether the elections have altered anything—the commune had it bad and things are no different now, so it was just a waste of time. Many people are disappointed, no longer believing that something can be improved here; they expected rapid changes and nothing has improved. Overall, however, the Solidarity electorate is not disappointed; a large percentage of those who attended the elections voted for citizens committees. Thus, there is still some sort of attachment to this movement.

[Matalowska] Various interpretations of the low election turnout have been offered: Solidarity's interpretation that people do not feel competent enough; the interpretation that they do not wish to interfere with "our government" by acting in these self-governments; the values system has been overturned for people because they have been persuaded that what was black is white and vice versa, said the SdRP [Social Democracy of the Polish Republic] secretary. Finally, there is the interpretation that people do not see the sense of participating,

maintained by the KPN [Confederation for an Independent Poland], recognizing that as a result of the loss of faith by one-third of the electorate it gained a bridgehead. There has also arisen the opinion that people were disoriented, which caused confusion in the Solidarity political camp.

[Wujec] The decline of support was predictable. During the course of the electoral campaign, it was not assumed in citizens committees that they would have to have a 100-percent victory—this would be absurd. These elections were not a plebiscite, a declaration for or against Solidarity; this time they were rather a search for people, for good candidates. Other candidates presented themselves for election and some of these were chosen. That is very good! The experiences of our new parliament elected last year already show that political life at its various levels works effectively when the opposition is in operation. The new parties that wanted to be made known before the elections had their air time on radio and television. But it turned out that in general they did not offer anything concrete to the gmina voters, and very likely that is why they lost. Some observers of the television electoral campaign held that we are being threatened by anarchy, since more than 100 parties and groups came out for the elections. In my opinion, this was not exactly a proof of anarchy; we must all become accustomed to a diversity of views.

[Matalowska] When I spoke of the confusion preceding the elections I had in mind the divisions which appeared in Solidarity and in the OKP [Citizens Parliamentary Club].

[Wujec] The divisions within Solidarity undoubtedly had a negative impact on the campaign and on the election turnout. An example of this is Lodz, where there was a clear division into the Lodz Citizens Understanding [LPO], supported by Andrzej Slowik, and the Voivodship Citizens Committee with Marek Edelman. The LPO won, but the turnout was the poorest in the country.

Many politicians, including Lech Walesa, were convinced that it was these very divisions, the revitalization of political life in Poland, that would influence increased social activism and the election turnout, but that did not happen. To return to the Lodz example, perhaps the competition there was too stiff, perhaps the voters thought that since the candidates and the parties are fighting so much among themselves it was better not to get involved. The establishment of the Center Accord also caused some confusion—the self-government elections had not yet taken place and there was already talk about presidential elections and speculation about parliamentary elections.

[Matalowska] How would you define the political landscape following the elections?

[Wujec] One thing became clear: if you listened to the radio, watched television or read the newspapers before the elections, you might have thought that a great many

people were opposed to the government's policy; many contended that practically nothing had been successful, but ultimately it turned out that such wholesale public negation was certainly a sham. People did not support candidates who voiced such opinions. The KPN waged a major propaganda campaign, and gained 0.1 percent of the mandates. The same thing happened in the case of other groups: the right practically did not raise its head—it also gained only 0.1 percent of mandates, while, on the other hand, the SdRP gained about 0.2 percent. The aggressive, vocal parties did not win support; the Union for Real Politics, for example, obtained 0.01 percent of all mandates. Strictly speaking, the citizens committee movement continues to be the only significant force: the percentage of mandates it acquired is twofold higher than the percentage of those announcing their candidacy.

[Matalowska] Have the election results been analyzed in the Citizens Committee and in the OKP?

[Wujec] Preliminarily. It is evident, however, that generally apathy and passivity reign. The only cure for them is involvement in self-government activities in the gmina and the voivodship by the various citizens who have stood on the sidelines until now. Only when people see that they have a real impact on decisionmaking regarding issues of importance for society will a breakthrough become possible. Nonetheless, I do hope that the support gained by citizens committee for their programs can lead to an increase in civic activism. We can expect committee members, insisting on the implementation of these programs, to force through changes, to cause a change in the old cadre. In the end, it is self-government which will initiate a grassroots democratic revolution which will encompass the majority of citizens.

[Matalowska] But is there not the interpretation that the results of these elections signal the need to step up parliamentary elections? This is in line with the idea that if feelings are cooling, certain events must be speeded up.

[Wujec] At this time, the success of the government's program is a basic issue. If we were to begin another electoral campaign, it would be catastrophic for that program. If we depended only on winning, then we should hold parliamentary elections right now, when the electoral machine is still in motion, when the social consequences of the process of opening up the economy to the free-market system are not yet so severe as they may be by next spring, for example. But that would be irresponsible. The most important thing for Poland now is the building of the framework of the new economic system (which will last at least a year) and not another electoral success for the citizens movement. Parliamentary and presidential elections should be held in the spring. I remind you that this was the date set by the Second Solidarity Congress resolution.

[Matalowska] And what is happening in the OKP?

[Wujec] Before the self-government elections, some people began to "stamp their feet"—they already had the future parliamentary elections in mind. The Center Accord which I mentioned earlier arose, for example, in reality from outside the OKP, but with the participation of deputies and senators.

For a long time the OKP has been divided into groups: the Solidarity PSL [Polish Peasant Party] with Jozef Slisz; the section for the defense of employee interests; the agricultural section; and the group of liberals. Such division is in accordance with the operating philosophy of the OKP and its statute. It reflects the internal diversity of the OKP and does not threaten its unity. Recently, a group of Christian democrats was formed. The near future will tell what place it will have in the OKP.

[Matalowska] And do you not think that such splintering weakens the work of the OKP?

[Wujec] From the viewpoint of the OKP's effectiveness and its support for government initiatives it would be better if we could preserve a certain discipline, which is not always the case. Even if the majority of OKP members are of the opinion that we should hold a given position, this is treated merely as a recommendation which does not oblige the deputies during the Sejm debate. If, given the present diversity of the OKP, there are sometimes problems gaining firm support for a government option (keep in mind that at present we constitute less than 38 percent of all deputies), then if OKP members were divided, such support would generally become problematical.

[Matalowska] Have there been examples of this?

[Wujec] Yes, the Agricultural Market Agency is such an example. A major attack against it was launched by the PSL, and it was difficult to gain support for it within the OKP; the draft law had to be changed. The same was true for the law on political parties. A compromise solution turned out to be necessary, and it was a very ineffectual one at that. It also happens sometimes that the government depends on quick action and if we discuss things too long, time works to the disadvantage of the proposed solutions.

[Matalowska] Since the Sejm is like a mosaic, the variant of a weak parliament/strong president is a real one.

[Wujec] Such a danger does not exist today. I understand that you are asking whether a portion of our citizenry would not prefer the variant of a strong presidency. Certainly there are those who, already now, would like to have a "strong" president to subdue this "mess." I do not think, however, that this constitutes the majority. We have had enough of strong-arm tactics in recent times. I presume that as a result of the future elections, a dominant group will emerge in the Sejm out of the ranks of the citizens movement. We may assume that alongside it a strong minority will be in operation. This will

become an indispensable element of criticism, but without conducting its activity in order to destabilize the situation...

[Matalowska] And if the elections are held in the fall, what may be the alternative to the Solidarity government?

[Wujec] Since June 1989, popular support for the Solidarity camp has declined (which was to be expected since it is forming its own government). At the same time, as I have already noted, other political groups have not made a significant mark on the public scene. But you must also remember that various groups competing with one another, generally not yet openly, arose during the last election either under the Solidarity banner or with Solidarity origins. During the parliamentary elections, we shall certainly have to choose among the various groups which actually emanate from Solidarity, but openly express their distinctness.

[Matalowska] But are there attempts to destroy the citizens committees because one approach already exists?

[Wujec] I do not think it is a question of such attempts. The pulse of political life in Poland after the elections has risen significantly. It would be strange if the strength which resides in the citizens movements did not draw politicians. Moreover, I am of the opinion that whether they like it or not, the citizens committees will have to become political. I think that we are entering a phase which will force them to define themselves and become sovereign.

[Matalowska] We conducted the first part of this interview on Friday, 1 June, and 2 hours later you received a fax from Lech Walesa in which he thanked you for performing the function of citizens committee secretary. What happened next?

[Wujec] For the present we are exchanging correspondence and press polemics. The issue will be discussed at a 24 June committee meeting and it will surely be resolved at that meeting.

[Matalowska] Did you expect such a move from Gdansk?

[Wujec] No, I did not expect that move.

[Matalowska] Thank you for the interview.

Influence of Christian Thought on Politics Viewed
90EP0689A Gdansk GWIAZDA MORZA in Polish
No 10, 20-27 May 90 p 10

[Article by Grzegorz Grzelak: "Christians and Politics: Opportunities and Threats"]

[Text] Poles are beginning to separate themselves into various political orientations. This still pertains to a greater extent to the intellectual elite rather than to

broader social spheres. The process of the crystallization of these orientations is moving relentlessly forward. This is good if it is going to constitute a natural expression of a developing political pluralism, but not so good if it is going to be stimulated by dissension and dispute and an atmosphere of hostility in which the awareness of a common interest and reason of state may disappear.

Christian social and political movements develop within other parties (such as peasant, liberal, socialist and social-democratic parties). Christian parties function under their own banner but also exist in socialist and even liberal movements. On the other hand, advocates of the rightist concept of the economy may be found among Christian democrats as well as among the liberals. What is happening; what kinds of criteria and principles govern the process of the crystallization of political orientations?

Political movements develop—classifying in most general terms—within the framework of a concrete political struggle; on the basis of a specific philosophy of life and current program, and finally, as an expression of political interests of some particular social groups. The reciprocal arrangement of these or other reasons defines the character of political movements.

Movements termed Christian (Christian-democratic, Christian-nationalist, Christian-social) form, above all on the basis of world outlooks. Catholic personalism constitutes the base of this common world outlook. It carries with it a specific philosophical, psychological and ethical concept of the individual. It defines the individual's relation to society and to the concept of the common good. It builds the principles of societal life: freedom, helpfulness, social pluralism, justice, solidarity, and others. It makes individual and societal life fall in line with natural law. A philosophy of life built on this foundation has a profound relationship with that which is objective, absolute, and permanent.

Such a philosophy relates back to the serious, Aristotelian-Thomist philosophical tradition. Because—as claimed by Jacques Maritain—there is no real politics without a political philosophy that encompasses the concept of man, the theory of society, and a sense of history. In the same way, there can be no politics without reference to ethics.

This highly philosophical or "ideological" character of Christian movements has far-reaching consequences in the sphere of practical social activity. These movements are not only political in terms of aiming for power and exerting influence through this power on social reality but also ideologically instructional.

Therefore, the problem of participation in Christian social or political movements is tied to the acceptance of a particular preference for the philosophy of life factor. There will, of course, be situations in which believing Christians will engage in other political movements. This will be facilitated by, for example, a very capacious (noncohesive?) ideological formula. This simply means

attaching greater importance to other factors that form the basis for political movements.

The issue of a political movement's "religious beliefs" is very difficult for society to comprehend. The adoption of a Christian philosophy and membership in a Christian—by name—political movement should not be understood as an "act of faith." Faith is a matter of conscience, an individual matter. There are instances where someone is deeply religious and experiences doubts at other times. As stated, for example, by Prof. Wieslaw Chrzanowski, president of the Christian-National Union: "It is not the task of a political movement to interfere in this realm. Membership in this type of organization means, instead, acceptance of a certain set of ideas and a philosophy of life as a fundamental factor in social activity."

It is possible we will have many parties in Poland relating to Christianity or a multidirectional Christian-democratic party. We should not feel upset by this. Out of Christian philosophical inspiration, it is possible to arrive at political views that constitute a rather broad spectrum of trends. No one should usurp the right to the "only valid" interpretation of Christian thought. After all, Catholic social teachings constitute a kind of moral theology and not a political program.

In the light of the downfall of communism and the necessity to build a new system of government, a question emerges as to the form of this government. The Polish people are striving to achieve a standard of living comparable to that of Western Europe; the influence of the differentiated Western culture is making its mark. In the West, the process of secularization of governmental systems was accompanied by the widespread development of religious indifference. It is our ambition to enter this modern world as quickly as possible. What sort of nation would we like to be in the future?

Christian social and political movements have a great chance of combining various requirements; to draw from modern, organizational and technological solutions of the present-day world and, at the same time, from the strong roots imbedded in Polish national tradition and in a culture permeated with the spirit of Christianity, a personalistic view of man, a collective and integrated view of society as well as a historical and intergenerational comprehension of the category into which the nation falls. There most likely exists here some sort of parallel with the present-day premise of Anglo-Saxon conservatism. Fundamental restrictions of liberalism (see, for example, the latest discussion surrounding Francis Fukuyama's texts in *THE NATIONAL INTEREST*) have caused the development of conservative trends related to the Catholic philosophy of society.

In searching for our own concept of a state, we move within the sphere of such concepts as a "neutral state" or "Catholic Poland." The point of departure for Catholics as well, should be the principle of a secular state—something with which, I would think, everyone agrees. More discussion is prompted by this problem: should

this be a neutral state or one committed to the implementation of some particular social principles? I am far from a liberal concept of a neutral state. I do think, however, that an even greater evil would be to an attempt to build into the body politic some sort of new "monistic" concept.

An important element of personalistic social philosophy is the principle of social pluralism. Every human being has the right to choose his own road to personal development, to create various forms of culture, and to have access to them. The development of a broadly understood culture should not be controlled or manipulated. Attempts at making it uniform lead to its impoverishment and ultimately turn against the principles of Catholic personalism.

Under Polish conditions, it is necessary to take into account this reality which is society's pluralism of world outlooks regardless of the domination of Christianity in national life. Otherwise, we would be dealing with the violation of the freedom of conscience which would ultimately turn against Polish Catholicism.

The principle of social pluralism must be present in upbringing. Personalism obligates us to also recognize as an influence in the upbringing process—next to the institution of the Church—the local community, the state, the school, social and cultural organizations, and the mass media. We can and we should dispute the content of certain upbringing methods but we cannot negate the very principle of pluralism by attempting institutional monopolization of upbringing. The role of the family should be particularly stressed in the upbringing process and it should be assisted in fulfilling this role.

Therefore, what sort of restrictions should be placed here, and with what sort of qualities should the state be endowed, so that it will not be a neutral state? The implementation of the principle of social pluralism must be contained within the boundaries of the common good. It cannot restrict the implementation of that good or the personal development of an individual or lead to his corruption. Fundamental principles of natural law, such as the right to life and the right to freedom, which bring about general social and moral order, should be built into the body politic. It should be noted here that "right" in this case means the same as "commitment." The implementation of the rights of given individuals, social groups or entire communities cannot destroy the rights of others. A symbolic and how very dramatic example of this is the case of abortion; in the name of the freedom of some, others (and what's more—defenseless others) are deprived of the right to life.

YUGOSLAVIA

Tudjman Scored for Manipulation of Media

90BA0218A Belgrade NIN in Serbo-Croatian 29 Jun 90 pp 16-17

[Article by Ratko Dmitrovic: "The Chessplaying of the 'Journalists' Association"]

[Text] "In a democracy, sir, one does not fall because a policy has failed, but because someone does not know how to do his work."

This, among other things, was said by Ines Saskor, the editor of Zagreb Television's political news program, in explaining her irrevocable resignation from that position, which she had assumed several days earlier.

Ines did not leave voluntarily, but was forced to leave, just as Stevo Maodus did not leave of his own free will, and just as Goran Radman and Veljko Knezevic will not. In this republic, from the moment that the Croatian Democratic Community [HDZ] came to power, a black-and-white cubical seal, whose shadow swallows up some editor from day to day, has hung over the public news media.

Tudjman and his colleagues reject any idea that this is a question of revanchism, citing worldwide examples that show that among other things, with a change in the party in power, the management and editorial teams in the mass media also change.

Classification by Ethnic Identity

Easily adaptable journalists here find the greatest proof that this is not a question of revanchism in the words of the leading figures in the HDZ, who answer, in response to questions about whether there will be revanchism, "Out of the question!" I am interested in whether there is anyone who believes that the answer could have been any different.

The recent revolution in Romania, with the moderate backsliding noted in recent days, showed that destruction of the political system was the first priority in that process. The second one was winning over the army, while the third was taking control of central television, the medium that can be used most quickly, effectively, and easily to influence the formation of public opinion, political attitudes, and orientations.

Any self-respecting politician is completely familiar with this scenario. There was no revolution in Croatia. The Communists turned over power to Tudjman, who is mentioning, admittedly timidly, the formation of a national, Croatian army, but is not concealing his intention of taking over Zagreb Television. Even during the period between the elections, he threatened Veljko Knezevic, the director general of Zagreb radio and television, that he would not remain where he was, and since Knezevic is apparently a rather hard-headed type, determined to remain where he was until they took him out, Tudjman had to resort to "other measures."

Ines Saskor claims that the HDZ tried to persuade Knezevic to resign. He refused. All sorts of things happened at a meeting of Zagreb Television's key people with Antun Vrdoljak (a film director), a member of the Croatian Presidency. On that day, 19 June, it was announced that a branch of the HDZ would be formed at Zagreb Television, and it was not ruled out that there

might be demonstrations, with a possibility of breaking windows and demanding the resignations of everyone, from the secretaries to Knezevic.

A member of the Croatian Presidency is not afraid of ambiguity, and so he called the people on Zagreb Television's news program by name and classified them by their ethnic identity. By the way, Veljko Knezevic is a Serb, which in and of itself should not be important, but here it is quite important. Communist Serbs can pack their bags. Knezevic is not giving in; currently, he is on sick leave. Goran Radman, the director of Zagreb Television, is still in America on a study trip. The programming staff is proposing to the workers' council of Zagreb Television that it demand the replacement of Radman and Knezevic. That last blow is to be inflicted (perhaps it has already happened in the meantime) by Zagreb Radio-Television's central workers' council.

DANAS Is Next

In this society, explanations have often been, and still are, funnier than satirical works. That is also the case with the explanation of the demand for Knezevic's replacement: "The conduct of the secretary general, and his negligent performance of his duties during the time of these social changes, have had a detrimental effect upon relations at Zagreb Radio-Television and upon the performance of its work, and have thus damaged the reputation of Zagreb Radio-Television."

Life is based on irony. Instead of the HDZ's leaving all the employees of Zagreb Television in their present positions, as a sign of gratitude for its abundant assistance when the HDZ was taking power, it is replacing them in a brutal and far from tactful manner. I am not one of those who claim that Tudjman won in Croatia just because rallies were being held in Serbia. That theory is childish, and politically blind. I believe, however, that Croatia was taken over by a hard-line nationalist group partly because of the work of Zagreb Television and the press here, among other things. One should believe Ines Saskor when she says that for the last four years she performed her editorial work to the maximum of her editorial and creative capabilities, and with good intentions, but in doing so one cannot help believing that she is responsible for the unprecedented negative portrayal of the Serbian people, especially during the last 20 months or so. Such an aggressive approach, aimed at equating groups of undisputed nationalists with an entire people, in this case the Serbian people, had to stick in someone's throat.

The statements by former Croatian president Ivo Latin in another Zagreb daily are unforgettable. For example, on the eve of the unheld rally of truth in Ljubljana last December, Latin spent several minutes, as if it were the Third World War, reassuring the citizens of Croatia through their TV screens—"Do not be afraid, Croatia will protect your integrity and your property." As is well known, at that time not one military force was crouching on Croatia's borders, but on the other hand the Serbs

were announcing their arrival in Ljubljana, which meant that they had to pass through Croatia. Thus, the Serbs were labelled in advance as robbers, thieves, and hoodlums. Also, remember the very suggestive commentaries aimed at Serbia's political leadership, commentaries which often also had an insulting tone. Zagreb Television was the first to break the pattern of unified Yugoslav daily news. For months, Joso Durbaba was the crowning proof that the problem called "the Serbs in Croatia" did not exist. People apologized for using Cyrillic here. Zagreb Television turned the commemoration of the 600th anniversary of the Battle of Kosovo in Knin into an attack on Croatia.

The responsible officials of that news firm must be aware of the fact that they have contributed to the cooling of relations between this country's two largest ethnic groups. Tudjman also knows that, just as he knows that without the features of this news firm's above-mentioned editorial policy, he would not have received as many votes as he did, and so it is difficult for the uninformed observer to analyze the reasons for the "purge" of Zagreb Television.

A similar role was also played by the weekly DANAS, which, according to well-informed sources, is the next target, "as a hotbed of Communists and authors whose orientation is insufficiently national."

By the way, Veljko Knezevic is being replaced at Zagreb Television by a member of the Croatian Writers' Society, Hrvoje Hitrec, a well-known HDZ activist and fighter against the "Serbian peril," especially the Cyrillic script. Zagreb Television will become Croatian television, i.e., the "Zagreb television association" [SVJETLOMICA UDRUZBA ZAGREB], and this summer Radio Zagreb is also supposed to become the "Zagreb Radio Station" [KRUGOVALNA POSTAJA ZAGREB] [Translator's comment—in original, both titles use exaggeratedly Croatian vocabulary, instead of the more common cognates for television and radio.]

Tudjman Like Lenin

While the departure of the old editor-in-chief and the arrival of the new one passed almost unnoticed at VECERNJI LIST, that was not the case at the newspaper VJESNIK. The departure of Stevo Maodus, the former editor-in-chief, for the hospital was utilized for a coup. His chair was taken over by journalist Hido Biscevic. In case anyone is keeping records, Maodus is a Serb from Karlovac. Vladimir Slijepcevic, the chairman of the board of directors of the VESNIK NISTRO, also submitted his resignation. He claims that he did not do so under pressure, but in explaining his resignation he wrote, among other things, "I have the feeling that an intellectual climate is now being created in which it will be difficult to preserve the extent of journalistic freedom already achieved." He also added the opinion that in the new political situation in Croatia, it would be more difficult to fight for professional, independent, and non-partisan journalism.

Before the elections in Croatia, Tudjman and his associates, in talking about the kind of democratic society they advocated, did not omit to emphasize the necessity of a free and independent press as a precondition for the creation of such a society. The well-known English philosopher and poet John Milton delivered a famous speech in Parliament in 1644 about the freedom of the press and the baneful nature of censorship. That speech was published the same year in its entirety under the title "Aeropagitica." It was the first public demand for freedom of the press in England and the world. Only five years later, after the first bourgeois revolution in England, Cromwell instituted a military dictatorship, and thus strict censorship of the press as well. Only official newspapers were published. The main one was MERCURIUS POLITICUS, and its chief censor was none other than John Milton. A similar story is also associated with Vladimir Ilich Lenin. "And so," Tudjman says, "why should I behave any differently?" And so, as far as promises are concerned, they serve to pacify children.

Serbian Vice President on Role of Opposition

90BA0223A Zagreb VJESNIK in Serbo-Croatian
7 Jul 90 p 3

[Interview with Dusan Mihajlovic, Serbian deputy prime minister, by Mirjana Bozic; place and date not given: "The Opposition Is a Mirror of the Regime"]

[Text] Beginning on 14 June of this year, a roundtable discussion is being held every week in the Executive Council of the Assembly of SR [Socialist Republic] Serbia, a good opportunity for all parties in Serbia to take part in drafting laws important to this republic's democratic life. But also an opportunity to reveal their own strategies "between the lines," their own views of the regime, and occasionally there is some of what the folk poem refers to when it says "The emperors are fighting over the empire, they are trying to murder one another, to stab one another with knives of gold, and the empire is up for grabs!"

We talked about the roundtable discussion and certain other topical political issues with Dusan Mihajlovic, deputy chairman of the Executive Council of the Assembly of SR Serbia.

[Bozic] The institution of the roundtable discussion is unknown in our socialist system, at least in the way it is held every Tuesday in the republic Executive Council with representatives of opposition parties. What does the Serbian government hope to achieve by this?

[Mihajlovic] The desire and interest of the Serbian government is to arrive at the highest quality of legislative bills within its jurisdiction. It therefore accepts all constructive proposals that are aimed at that objective. I would support that by referring to the invitation to all the parties that exist to the discussion of the draft of the law on political organizations held on 9 March of this

year. The idea of the roundtable discussion is an expression of political reality and a reasonable step on the part of the government, which is offering an equal chance to all political participants to make their creative contribution to shaping legislation within the council's jurisdiction and of importance to the process of democratization in Serbia. I would mention that this government—since its election—has been operating under the Constitution and law and that its seat is at Nemanjina 11, not in some other building.

[Bozic] The representatives of some parties feel that this is not a true roundtable discussion, since their opinions are not automatically accepted. There have been demands that what the parties agree on should be mandatory for the Assembly. Is that possible in the present constitutional system?

[Mihajlovic] Not only would that be impossible under the Constitution, it would not be democratic either. A roundtable discussion cannot take the place of either the government or the Assembly. Disputing their democratic legality just because they have not been elected in multiparty elections is at this point an attempt to take power by undemocratic means. The elections in Serbia were both general and by secret ballot, they were direct, and they were free, and it is a fact that delegates representing more than one party were elected to the republic assembly even in the "one-party" elections. Incidentally, who would give the Council and the Assembly the right to share power with the leaders of parties when no one knows exactly how many citizens they have, or whom they represent? We do know that power was taken during the war or in elections. And all the parties have made public declarations against the use of force to obtain political ends. Accordingly, the citizens will decide about a new government in free, secret, direct, and general multiparty elections. Until then, the government can only behave in a nonparty manner and give all political parties the same access to the process of enacting laws, specifically those laws which are to facilitate realization of the commitments of the reform to transforming the party-governed state into a law-governed state and the one-party system into a multiparty system. As for honoring the proposal made in the roundtable discussion, I must mention three things. First, we should see to what extent the government and the Assembly have honored suggestions concerning the law on political parties. Second, the laws on information have been worked on together with the parties from the outset, from the phase of the working version. And third, I have made a public promise that as a member of the Council I will vote for proposals adopted democratically in the roundtable discussion, i.e., by a majority vote.

[Bozic] What in your opinion is the most important result of the roundtable discussions held so far?

[Mihajlovic] First, the very fact that we are talking! Second, that it has been demonstrated that the government is not some antidemocratic bastion which has to be conquered, but that it has been able to offer a law whose

democratic spirit no one has disputed. And then it has also been demonstrated that the ruling party is not some Bolshevik dragon, as it has been portrayed in most of the newspapers of the newly formed parties. It has become evident that its representatives are not only people with a democratic outlook, but they can also make a serious contribution to the discussion. And finally, at this point it is clear to everyone that enacting laws is not the same thing as making a fine speech and that this is an extremely difficult and responsible job requiring a great deal of knowledge, experience, and general culture.

[Bozic] You voted against the proposed version of the law on political organizations prepared in your area of expertise. Why?

[Mihajlovic] Because I did not agree with the wording of Article 4 on the organizational principle of political parties. I favored the exclusively regional principle, although the solution proposed (prohibiting the organization of political parties only in government bodies and information institutions established by the state) was legally straightforward and possible. But it is a question here of political convictions, not of legal principles.

[Bozic] You made a solemn declaration in the roundtable discussion that the Law on Political Organizations had been enacted and that this was an important event for democracy and Serbia. However, it has turned out that the law actually was not adopted and got "hung up" somewhere.

[Mihajlovic] I made an apology for that last night. I left the session of the Assembly before it was over in order to arrive at the roundtable discussion at the beginning, so that I was not informed that the Chamber of Associated Labor did not pass the amendment of a delegate. However, that does not essentially change the heart of the matter. The debate has been completed, the text of the law has been adopted, and it is a question of an amendment which does not change the essence of the law. That important day for the revival of democracy in Serbia has only been postponed.

[Bozic] What do you think about the Serbian opposition? There are those who think that Serbia deserves a better opposition and also that the true Serbian oppositionists have still not come out onto the political stage!

[Mihajlovic] Every government has the opposition which it deserves! The present opposition is a reflection of the ruling party and government. I am one of those who think that it is their obligation to create the conditions and means necessary for the present opposition to organize and straighten out its affairs and so that it will be Serbia's pride, not its shame. In any case, I personally think that the entire true Serbian opposition which deserves the credit for overthrowing one-dimensional thinking in Serbia is not on Serbia's political stage. Its most important representatives, I am thinking of Dobrica Cosic, Mica Popovic, Beckovic, Crncevic, "Mihiz," and others, are not committed to a political party. Nothing can any longer halt democratic processes

in Serbia, and their quality will not depend on the number of political parties, but on the strength, responsibility, and political wisdom of the opposition. The fact that many of the leaders of the newly formed parties are former Communists who did not succeed in realizing their ambitions in that party, and also that some are "renegades" from the opposition that has existed up to now, that is their affair. This should not be confused with the democratic need for the existence of a strong, organized, legal, and constructive opposition to every government, nor should the opposition be viewed in terms of the people who are now the leaders of some of the parties. The public and the elections will straighten that out, as it has in other democratic countries. There are many examples to support this assertion in the history of the democracy of the European countries.

[Bozic] Could you comment on Vojislav Seselj and his "Chetniks"? Can a party be registered when it has pronounced associations with tragic events of the past?

[Mihajlovic] As for Vojvoda Seselj, I do not know whether he has the right to represent the Chetniks. There are many wrong ideas and inaccuracies related to that term. The Chetniks are one thing, the Yugoslav Army and the homeland is a second thing, and yet another is the political program of the congress held in the village Ba which was written by Zivko Topalovic, who was also the author of the Social Democratic program. In any case, this should not be confused with the fascist programs and parties in Europe and on the soil of Yugoslavia in World War II. Citizen Seselj must himself define his position on all that, and it is up to the citizens of Serbia to decide on the program that is chosen. I personally feel that there are no reasons to ban any program or party which does not use force in realizing its political ends. The public is the best barrier and bulwark against all ideologies, programs, and parties who will not leave the dead in peace and announce new graveyards. To be sure, since we have not had democracy for a long time, we do not know much about what its essence is, what are the rules of the game and the rules of behavior, and we have been witnesses to daily manifestations of a lack of democratic culture and bad taste. But this is a process, and we all have to work together to broaden democratic culture and consciousness so as to survive more easily the labor pains of multiparty democracy. This applies equally to the government, to the ruling party, and to the opposition.

[Bozic] In your personal opinion, is it a realistic view of the opposition that in adopting their own Constitution the Communists will stand in the way of democratic processes and without any real free elections will renew their mandate, which so far has been unlimited?

[Mihajlovic] No, it is not. I pity those in the opposition or in power who think or who are afraid that someone can halt the democratization that has begun. This is no longer a matter of anyone's will or desire; there is no possibility of a deal on this by any leadership elite, since this is an objective historical process. The price which we

will pay and who will be part of it are another matter. This will depend on the political wisdom, skill, and responsibility of both the ruling party and the opposition, as well as those of the present bodies of government. I say that the election—the Constitution and elections—is not only a better political and legal solution, but also the fastest democratic way to arrive at the common goal of both the opposition and the ruling party—which is multiparty elections. I think that preparations for the two processes can go forward simultaneously, and that the elections can be scheduled faster than is anticipated.

[Bozic] Please give us your opinion as a citizen about the unification of the Socialist Alliance and the League of Communists and in a way—as has recently been said—of the "betrayal" of communism and the "changing of colors like a chameleon"?

[Mihajlovic] I do not think it is a question of "changing colors like a chameleon." Now that the multiparty system is replacing the one-dimensional theory of government, it is a time to make choices, and that is not the same thing as changing colors. Why should that right be denied those who up to now have been members of the LC [League of Communists] and the SAWP [Socialist Alliance of Working People], when it has been allowed to the present leaders of the newly formed parties? How many times have individuals moved from one party to another, and some even to a third party?

If it is a question of "betrayal" of communism, then I also am one of those. However, I think that the abandonment of bolshevism and the concept of the Titoist party are the greatest value of the unification.

[Bozic] Are you a "Milosevician"?

[Mihajlovic] I am and I am not. I am in the sense that I came to work on his team to achieve the goal which he has proclaimed: Serbia with a per capita income of \$10,000. I am not an economist, but it is well known that no state has achieved that without political democracy and a well-organized state. At the present moment, it is not possible to say what task is the most important. I am not a "Milosevician" if by that you mean loyalty to ideological commitments of certain members of his team.

Finally, knowing Milosevic as I do, I also know that he does not need "Milosevicians" in the way that "Tito needed Titoists." I believe, I want to believe, that he needs people who think for themselves.

[Bozic] To what will you commit yourself in the future?

[Mihajlovic] I will try to do an honest and professional job as a member of this government during this crucial time until the elections. I have already set forth my political convictions, so that all that is left is for me to see which party will represent them. These are convictions

to an extremely pragmatic and nonideological program with a combination of conventional liberalism and political protestantism!

[Bozic] What is your vision of the future of Serbia—especially the problem of Kosovo?

[Mihajlovic] I see Serbia as a strong and modern state. To be that, it must be democratic in both its politics and its economics. Just as the market is the lesser evil in solving economic problems, so multiparty, parliamentary democracy is the lesser evil which the world has thought of in solving the problems of freedom and democracy. We know the fate of right-wing extremists, and we have been witnesses to the tragic consequences of left-wing experiments. I include Kosovo among those consequences. When that "Bolshevik garden" in Kosmet is done away with, and the goals I have referred to are achieved, the problems in the south of Serbia which now seem insoluble will go away. It will take time, resources, and knowledge before all citizens of Serbia respect their state and before all citizens enjoy economic and political rights in it.

[Bozic] Are you concerned about the fate of Yugoslavia? How do you see it—in a confederative, federal, or some other light?

[Mihajlovic] No, I am not. It is clear that the Yugoslav nationalities must reach an agreement about a so-called fourth Yugoslavia (we have had Alexander's, Tito's, and Kardelj's!). This has to be talked about. We must not forget that there is no Slovenia that is greater than Yugoslavia, and that also applies to Croatia and Serbia. Along with Montenegro, Serbia gave its statehood to that Yugoslavia and sacrificed its own national interests. Yugoslavia is not the only possible destiny for Serbia, and it can also serve Serbia as a "transit station" on the road to Europe. Others should give thought to that and ask themselves: What are they losing if they are left without what Serbia has brought to Yugoslavia? I personally think that we are all confused and we do not see the essence of the problem because of the smoke and the dust that has been raised when Tito's Yugoslavia came crashing down. When the smoke clears, I believe that we will find roads to our life here in the future which will be better than what we have had up to now.

Activities of Export Bank Discussed

90BA0212A Belgrade EKONOMSKA POLITIKA
in Serbo-Croatian 2 Jul 90 pp 26-28

[Interview with Boris Konte, director of the Yugoslav Bank for International Cooperation (JUBMES), by Iztok Jurancic; place and date not given: "The Role of the State in Granting Credits for Exports"—first paragraph is EKONOMSKA POLITIKA introduction]

[Text] Who will pay for bad business. Continuation of cooperation with unreliable payers. How does one accumulate capital in the world for state financial institutions. Capital investment instead of long-term credits of the National Bank of Yugoslavia (NBJ).

The JUBMES [Yugoslav Bank for International Cooperation] is for now the only domestic financial institution that could be called an organized exporter of capital. In question is an institution the paternity of which is reluctantly admitted by the state; this is understandable. State capital, which was until recently hidden behind the credit functions of the central bank and its primary issuance, does not have the right to exist yet. It is currently created through taxes, and then as quietly as possible too, since the state has not yet revealed the balance of its assets. Taxpayers simply cover banking and exporting "bad loans," but the mechanism of the socialization of bad investments would work with much more difficulty if the public oversaw it.

Boris Konte, chief director of the JUBMES, came from the NBJ, where he was vice president. He has recently been involved with the purchase of Yugoslav debt paper on international secondary markets. Therefore, this is a man who knows a lot about state debt management as well as the problems of the Yugoslav export of capital.

[Jurancic] JUBMES is one of the few Yugoslav institutions geared to the export and not the import of capital?

[Konte] You could say that. JUBMES finances and insures exports, primarily the export of capital goods. This relates to the export of investment work and the transfer of technology and knowhow. We grant credits for the export of ships, turbines, and locomotives, as well as for the investment of capital in our own various enterprises abroad, the export of mass-produced and military equipment, etc. We grant credits for imports only when we must resolve the problem of uncollected claims; that is, when the debtor cannot pay his obligations and the countries agree that it will pay them with raw materials or producer goods.

[Jurancic] Who pays the losses if "bad loans" or so-called contaminated credits are involved?

[Konte] JUBMES does not have such credits for the simple reason that we make loans to a domestic commercial bank that grants credit to the exporter of capital goods. If a foreign buyer does not pay for the goods, JUBMES is not harmed since it has an agreement with the commercial bank, regardless of whether the bank or the domestic seller is paid.

[Jurancic] Would it be otherwise if you granted credit to the buyer, as is customary in the world?

[Konte] Certainly. JUBMES grants primarily so-called suppliers credits. For very widespread buyers credits abroad, it is characteristic that the credit rating of the buyer must be checked very closely and it must be high. In short, the buyer offers securities that the buyer must

always convert into cash on the secondary market. Unfortunately, Yugoslav enterprises export capital goods mainly to Asia or Africa, that is, to countries whose credit rating is not high.

Buyers credits can be granted for ships that we export to America, Norway or Holland. For such types of transactions, however, foreign exchange is necessary, which JUBMES has not had up until now. A new law on our bank permits assuming long-term debt abroad and only now will we be able to grant credits to buyers.

[Jurancic] Almost 500 million dollars in uncollected claims have been amassed through JUBMES credits. Have you thought about selling these claims on international capital markets?

[Konte] Formally that is certainly possible. But, to repeat, our debtors are in great trouble. If they offered securities of some central bank from a country with a lot of debt, the question is who would buy it at all and at what price. Probably at barely half price.

[Jurancic] Where does the state have the most uncollected claims?

[Konte] As I said, JUBMES is not harmed by such claims since it has an agreement with the domestic commercial bank. This means that it doesn't even lose a dollar. But the truth is that neither the commercial bank nor the exporter, nor, if you wish, the state, is paid on time. Whenever the state makes an agreement on the rescheduling of uncollected claims, they are replaced by claims that have not yet fallen due. The best known example of postponing the payment of debts is Iraq. Yugoslavia has concluded an agreement with Iraq on rescheduling for the most part, but a special law has been passed each time for the payment of commercial banks. I don't know how it will be in the future, since a primary issuance is not used anymore for these purposes.

[Jurancic] Although Iraq falls among unreliable payers, exports to this country of 331 million dollars worth, or 46 percent of last year's exports of capital goods on credit, were financed through JUBMES last year. And this year the most agreements have been concluded with Iraq—nearly 640 million dollars worth or 59 percent of total export transactions with developing countries.

[Konte] JUBMES will have to change its commercial policy completely and especially pay attention to the credit rating of the country or buyer, wherever he's from. Namely, JUBMES also insures its transactions. Agreements on insuring have been concluded at the rate of exchange in effect on the day the export transaction was contracted. Because of this our enterprises have not gotten much through insurance. But now, when the rate of exchange is frozen and inflation has stopped, the problem is quite different, of course.

[Jurancic] JUBMES is also a partner of the Military Service, a principal client of the NBJ for credits from

primary issuances. The Service used almost 40 percent of all the credits of your bank last year alone.

[Konte] For us the Military Service is a commercial bank that finances exports of the military economy. It has its capital and is legally a party for making payments. We conclude an agreement with the Military Service and it is required to make payments to us like every commercial bank. However, the truth is also that the Military Service is in the framework of the NBJ and draws funds from the federation.

[Jurancic] Let's return to uncollected claims. "Rescheduling is reduced almost to grants," stated the head of your bank, Ivan Stambolic, at the round table. Are assessments also known according to which Yugoslavia invests its capital at significantly lower rates of interest than foreigners pay?

[Konte] Unfortunately, that's true. But I wouldn't say it's a question of gifts. When the government reschedules a debt, then it only extends the time for repayment. If we know that a large rescheduling is agreed on at an interest rate of five percent, while capital costs 10 percent on international markets, then your statement is partially correct.

[Jurancic] Three laws relating to the operations of JUBMES were recently accepted. First, the inaugural investment of the federation will increase to 410 million dinars by the end of the year. The second law concerns the reduction of interest rates for exports of capital goods through JUBMES (942 million), and the third the conversion of 205 million dinars in short-term credits from a primary issuance to long-term. Is JUBMES becoming a real state bank?

[Konte] The situation has indeed changed this year, since the NBJ loaned a great part of the money from a primary issuance to our bank. The year before last and last year that share amounted to somewhat less than one half of all credits of JUBMES. That source of funds, because of steps in credit-monetary policy, no longer exists. The problems with the federation budget, because of which state capital has a low share in our bank, are also known.

In short, as recently as last year, JUBMES lived off discounted, short-term credits from the NBJ, but we invested that money on a long-term basis. The average time for repaying credits that JUBMES gives to domestic banks is seven years. In this way we came to an impossible situation. At the end of last year we invested 82 percent of the repayed funds on a long-term basis, but our sources are mainly short-term.

Institutions abroad specialized in the export of capital goods are 75 percent supported by state capital. With us the state share is barely four percent. Only now would that proportion improve and rise to 20 percent, with the law on the inaugural investment of the federation, but I think it should be far greater.

[Jurancic] How do they amass capital abroad for state financial institutions?

[Konte] The systems are completely different. For example, the American EXIMBANK (Yugoslavia is its third customer with 500 million dollars in borrowed credits) gets several billion dollars from the budget each year for financing exports of equipment. And the German Hermes only insures export credits. Since this is a state firm with a reputable name, it can sell securities on the market at any time and receive cash. Such a system would probably be more suitable for us. But you should also know that our capital market does not function yet and that this process will last three to four years.

[Jurancic] On the whole, money for JUBMES comes from the pocket of the taxpayer. The government has nevertheless decided to invest a small amount as capital.

[Konte] I think that the government would be ready for a greater capital investment, but it must conduct itself in a stable manner regarding budgets. Reductions in interest rates are not assigned directly to JUBMES but rather represent a stimulation for exporters of capital goods. The EXIMBANK or Hermes, for example, finances exports at an interest rate of seven or eight percent; it's 25 percent with our bank. Nevertheless, the reduction also serves as an instrument that will force commercial banks to invest more capital in JUBMES. As you know, only exporters of capital goods financed by our bank have the right to reduction of interest rates. As to conversion of credits of the NBJ, it will only ease the difficult liquidity position of JUBMES.

[Jurancic] From the standpoint of taxpayers, we are now all paying for the bank's "bad loans." Due to bad investments, the costs of domestic credits are very high.

[Konte] That, naturally, is a global truth that we are recognizing. We are paying the price of past errors, inflation and the like. But, I repeat, every country is interested in financing exports at competitive prices. I often hear at meetings that many enterprises think the government left them in the lurch when it concluded an agreement on rescheduling. I don't think so. No one forced the enterprises to conclude agreements on carrying out investment projects abroad. Perhaps certain politicians did, but in no way the federal government. The enterprises took a risk themselves, but they agree on further projects with unstable buyers because they hope that the government will see to it that they're paid. I don't think it will be that way any more. The price of such a method of operating is always a higher primary issuance. It is not logical, for example, to build roads in some countries with money from the Topcider printing shop. It would be better for the Adriatic highway, which we will now build with foreign capital, to be built with that money.

[Jurancic] Why doesn't the government invest more taxpayers' money as its own investment rather than subsidize borrowers? Moreover, if the exporter of capital goods could not now take credit abroad, wouldn't domestic banks have many chances?

[Konte] Unfortunately, foreign financial markets are still closed to us. As long as the government concludes agreements on rescheduling our debts, while the cost of Yugoslav securities is 60 cents on the dollar, it will remain that way.

As to the first question, I quite agree. Overseas the stockholder of the bank, such as ours, is usually the government. In this way it gets the right to a dividend and to directing the commercial bank. Frankly speaking, I would prefer it myself if we would convert short-term loans of the NBJ into capital investment instead of into long-term credits, since capital is very expensive today.

BULGARIA

Trade Union Monthly Hosts Roundtable on Shortages, Black Market

90BA0205A Sofia KNSB in Bulgarian May 90 pp 2-5

[Material compiled by Borislav Naumov: "The Black Market in the Arms of the Bulgarian Octopus"]

[Text] If the Bulgarian consumer had his own Bible, it would probably begin as follows: "In the beginning there was the shortage. It led to speculation, illegal trade, and organized crime...."

Today the problem is not exclusively economic and legal and, even less so, could it be considered the latest "growth error." It is above all political, and the responsibility for its solution is borne by all political forces.

Whenever the black market becomes stronger than the "white" market, the life of the ordinary person becomes darker. One fears the parallel development of having and not having. The stores are virtually empty and, on the black market, absolutely everything is quite expensive. It is thus that tying both ends becomes exhaustive labor, almost like a rope-balancing act. As the Bulgarians follow the path of democratization of the overall social system, increasingly they exclaim bitterly: "There can be no hungry democracy!"

It can be said that life itself made our present discussion at the Consumer Club necessary. The following responded to the editors' invitation to discuss the problems of shortages and the black market, speculation, and illegal commerce: Penko Zlatkov, senior inspector of the KDNK [Committee for State and People's Control], sociologist; Georgi Georgiev of the Karl Marx Higher Economics Institute, economist; and representatives of the administration of the Sofia City MVR [Ministry of Internal Affairs] Avgustin Konstantinov, deputy chief of the Economic Department, Khristo Stoynov, chief of the Trade Department, and Vyacheslav Dimitrov, chief of the department for the struggle against currency-contraband crimes.

[KNSB] Today the people say that "there have always been shortages, but there have been never been so many shortages!" Unfortunately, the store shelves remain bare, and the lists of goods in short supply are already being lengthened with the addition of many goods of prime necessity. And, since at the same time speculation and illegal trade are blossoming, let us try to describe the condition on the Bulgarian black market.

[Penko Zlatkov] Usually the condition on the black market is the consequence of the condition on the real market. The market and trade are directly linked to the overall condition of the economy. If the economy is sick so are they.

Three years ago, applying a sociological approach, the KDNK developed an automated information system to

record exposed negative phenomena as a result of control activities. The data confirmed the existence of a durable trend toward an increase in negative phenomena in trade, which is natural. When reasons for deformations pile up, the result is an accumulation, both in terms of quantity and level of organization, of the negative phenomena we are discussing.

Speculation is blossoming, but why? Our economy is in a state of crisis and the rhythm in production and trade has been disrupted; there is a chronic imbalance between the production of goods and services and real needs for the same.

Furthermore, a high percentage of public catering establishments, operating on the basis of the stipulations of Council of Ministers Letters 17 and 35, are supplied from the commodity stocks destined for the population. This is a clear example of how the imperfect nature of legal documents makes it possible for individuals to benefit to the detriment of consumers.

[Avgustin Konstantinov] It is not as of yesterday that our authorities are fighting speculation, illegal trade, corruption, illegal enrichment, and other similar phenomena. We are actively cooperating with the KDNK, State Financial Control, and the Trade and Services Main Inspectorate. We are also assisted by the public. The reason for which our struggle is not sufficiently efficient is both the growth of such actions as well as the imperfect nature of the current regulations, the very slow judicial process, etc.

[KNSB] Actually, how does our legislation define speculation and illegal trade?

[Khristo Stoynov] Article 225 of the Penal Code classifies as speculation any action according to which a given commodity is sold at prices higher than those established by law. Article 233 of the same code reads as follows: "Anyone who purchases, with a view to selling or sells goods purchased for this purpose, without the proper permission, is engaged in illegal trade." However, we can clearly state that the penalties stipulated in the law are quite mild. Therefore, on the one hand, they are inconsistent with the social danger of the action and, on the other, the fear of the punishment simply does not restrain the violators. All of us need the type of legislation which would block the Bulgarian citizens from committing crimes. At that point our work will be dominated by prevention and not by exposing already committed crimes.

[KNSB] Does anyone know what percentage of commodity stocks is being marketed not through the commercial network but through the black market? Are the dynamics of such processes taken into consideration?

[Khristo Stoynov] I believe that no such study has been made.

[Vyacheslav Dimitrov] In the past five years, our authorities have confiscated in favor of the state on Sofia

territory alone goods worth more than 10 million leva. About one-third were in precious metals and foreign exchange the selling of which on the black market would have brought much higher revenue.

[KNSB] With such large amounts and, in general, considering the overall volume of illegal activities in the black market, could we speak of any kind of organized crime in our country?

[Vyacheslav Dimitrov] Specifically in terms of smuggling, I can confidently say, "yes, there is organized crime!" Goods are purchased, let us say, in Austria, loaded on a vehicle, crossing three to four borders, and delivered in Bulgaria. They are first concealed, after which wholesale salesmen sell them to retail salesmen, and so on. If that is not organization I don't know what you could call it.... Let us not mention the fact that on the trip back it is primarily rare metals—silver and platinum—that are shipped out, or else foreign exchange which is not kept in the country but leaves the country in payment for the goods. All of this is a single process which follows the cash-commodity-cash formula. It is high time for everyone to understand that a high cost is paid for imported goods sold on the black market. In making a deal some citizens may benefit. As a whole, the state loses in rare metals and foreign exchange.

Furthermore, although our authorities have answered the question of whether organized crime exists in the country, science has not provided such an answer. Yet science is the one which should define actions and formulate legal rules. So far we have not had the possibility of participating in the discussion of such laws. Instead, we have been given already drafted regulations.

[KNSB] Let us go back to speculation. We know that the Ministry of Trade, the control authorities and many editorial boards have received a number of letters saying "please, help!" No washing machines can be purchased in the stores but with the help of a "middleman" they can be bought for 100 leva or more. Color television sets for example require a "mark-up" of yet another 200 leva; a drawing room suite requires an even bigger supplement, and so on. Obviously, some urgent measures are necessary.

[Khristo Stoykov] I discussed this matter with Comrade Rusev, deputy minister of trade, and I can tell you that this problem is being considered from a number of sides. In order to achieve social justice, although this makes the work of trade organizations more difficult, it was decided to draw up lists of sales of scarce goods, computerize them, etc.

[Georgi Georgiev] It is thus that, even with computers, we shall return to a feudal distribution system....

[Khristo Stoykov] Yes, it is true that this decision is controversial. However, our practical experience shows that at the present time scarcity is leading to a number of severe crimes. It is no secret to anyone that a great deal of scarce goods simply "evaporate" on their way from

"wholesale trade" to the stores. Where are they sold and how are they sold after this and what sums are being thus earned by some people? This too is not socially fair. No society can allow such ways of distribution of commodity stocks. However, I believe that the permanent solution to the problems of scarcity and the related negative phenomena require the implementation of a radical economic reform. Problems of ownership, privatization of trade and services, and, in general, the conversion to a market economy must be resolved legislatively.

[Georgi Georgiev] Unfortunately, we continue to view the shortages and speculation not as being economic problems. In the case of prices based on a market economy (stock exchange) speculation is a high form of economic activities which regulates supply and demand and, according to some authors, stabilizes prices.

In countries with a centralized planned economy, all trade is rigidly regulated as to who could sell what, at what price, etc.

Today we find throughout the world two kingdoms: the kingdom of the market economy and that of central planning....

[KNSB] And we find ourselves in an interregnum....

[Georgi Georgiev] ...Precisely in an interregnum that, on the one hand, encourages features such as speculation and, on the other, intensifies the economic crisis.

What do I mean by interregnum? Should we start with ownership? The question is being postponed and circumvented by all possible means, regardless of the many orders about privatization, ownership pluralism, and so forth. Meanwhile, in the area of active social life, the market mechanisms are being loosened without any true market competition, which, in the final account, is reduced to the problem of ownership. It is thus that the old monopoly structures continue to exist. However, we have converted from administrative-monopoly price setting to the market variant of monopoly price setting.

In such a unique economic situation of transition, the way the cards will be played on the economic table will greatly determine the future of the low-income segment of the population. Today these people are suffering as a result of shortages and speculation; tomorrow they will be facing unemployment as well.

[KNSB] It is clear that, until we have developed a real market economy, the negative phenomena we are discussing will continue to affect the pocketbook of the Bulgarian citizens. Bearing in mind the existing situation and the immediate future, what changes could be made to restrict the power of the black market?

[Khristo Stoykov] As long as there are shortages there will be speculation.

[Georgi Georgiev] The growth of speculation and inflation are indicators of the radical nature and effectiveness

of our economic reform. We started by introducing a market economy on a limited basis; that is, to a certain extent we developed market relations in trade without a market-oriented production process. This widened the kingdom of shortages, which is the root of the evils we are discussing: speculation, illegal trade, and so forth.

We must start with production, on the level of ownership. However, even if we were to demonopolize the production process and privatize some of its sectors or branches, it would not react with lightning speed. At this point we need the intervention of the state. Let me refer to the Hungarian example. In Hungary the government created stabilization funds in agriculture. When the private commodity producers began to raise prices excessively (look at the cooperative markets in Bulgaria), the state simply purchased the agricultural commodities (which is no problem because international markets are flooded with such goods), releasing them at prices that are roughly consistent with production costs in the country. At that point the privateers must either lower their prices or go bankrupt. This stabilizes prices on the market and prevents the development of social tension among low-income people.

[KNSB] Nonetheless, does it look like we will not be able to do without market relations?

[Georgi Georgiev] We must develop the market intelligently in its circulation and production aspects, for otherwise the entire economy will flare up. The most terrible aspect of shortages, when speculating, is that they are the fuse that could explode the powder keg—that is, inflation. Should this occur, a mad speculative race will be started in absolutely all economic areas.

[Avgustin Konstantinov] At the same time, the control system and the MVR authorities would find it simply impossible to deal with the negative phenomena and crimes that are the consequence of the overall state of the economy.

[KNSB] For the time being, at least, the problems we are discussing have a multiplying effect: Shortage leads to speculation, and speculation aggravates shortage. One approach is to stabilize the economy, and, we believe, no one questions the need for the fast implementation of a radical economic reform. The other approach is to improve the legislation. But what? Could we find at least one ray of hope that would take us out of the darkness of the black market?

[Penko Zlatkov] A struggle aimed at consequences and not at the prime reasons is always doomed to failure. More than ever before, today we must coordinate the legislative, executive, and judicial powers in the struggle against the phenomena we are discussing.

[Georgi Georgiev] As a country, as a state, we are at a crossroads. One way is the completion of the economic reform leading to the creation of a market economy. For the time being, the people have stopped at the pass, hoping for some kind of miracle. They do not say, "We

shall not make the reform!" but appeal to us to postpone, to consider, to look around. The events that took place in the other socialist countries make it clear that those who postpone the implementation of reforms must confront most violently the problems of inflation, shortages, speculation, and so forth.

My recommendation is directed above all at the National Assembly because the definitive implementation of the economic reform most directly depends on the legislative resolution of the problem of ownership. Any postponement threatens not only the total collapse of the domestic market but also the related accumulation and eventual explosion of social tension among population groups that may find themselves below the poverty line.

Shortages and speculation not only encourage inflation but are also the foundation, the base on which organized crime appears.

Let us look at the history of one of the countries facing the most serious problems in the struggle against organized crime, the United States. In that country, the Mafia was created thanks to the accumulation of crime capital earned through speculation and illegal trade in a single commodity—alcohol. Our organized crime could actually rely on the entire national economy because it is already difficult, if not impossible, to say what is not in short supply today and, even less so, what will not be in short supply tomorrow. If Bulgarian organized crime is able to develop on such a powerful economic base, unquestionably it will become exceptionally powerful.

[Avgustin Konstantinov] We are appealing to the National Assembly, the Council of Ministers, and the State Council: They should hurry in making laws and legal regulations on which not only the MVR organs but also the entire control system could rely. Let the law be a real law and not a door open to nowhere. Let there be an end to undermining legislation with so many resolutions.

[Vyacheslav Dimitrov] A new law is about to be passed on the people's militia. For our work to be effective, we must know our rights. We must have an adequate legislative foundation for our activities, and, not least, we must be given social guarantees and security that will protect us and our families if we are harmed while performing our official duties.

[Khristo Stoykov] To me, the range of problems we are discussing today is, above all, political. Responsibility for its solution must be borne by all the forces on the political stage.

If we continue to follow the old ways and the old systems and stereotypes, if we continue to hammer out prohibitions instead of trying to eliminate the reasons for the various phenomena and crimes we are discussing, everything will remain only in the realm of pious wishes.

[KNSB] We thank you and all participants in our discussion. We are not deluding ourselves. We do not wish to delude our readers: There are no miracles in economics, and, even less so, miracles happening overnight. It is true that what occurred in Japan, the FRG, South Korea, and Thailand since World War II could be also considered a miracle. If nothing else, within the range of our possibilities, we should at least create the legislative conditions and prerequisites for a truly qualitative new economic growth. We hope that this will take place because otherwise we shall remain poor and, probably, also hungry. Yet, as we mentioned at the start, nowhere in the world does a hungry democracy exist....

CZECHOSLOVAKIA

Foreign Exchange Goal: One German Mark for One Koruna

90CH0269F Prague HOSPODARSKE NOVINY
in Czech 3 Jul 90 p 3

[Article by Eng. Milos Halouska, candidate for doctor of science (CSc.), Czech and Slovak Federal Republic People's Control Commission: "One Mark for One Koruna: Will Comparative Efficiency Become the Motive Force of Our Economy?"]

[Text] Is it possible to accelerate the transition to a market economy and avoid inflation? The author of this article thinks so. The mechanism to accomplish this, as the subtitle suggests, is the use of comparative efficiency. The goal, then, is to make the efficiency of our firms comparable to the efficiency of firms from developed European countries.

The reason for the transition of the Czechoslovak economy from an administrative to a market orientation is the inability of the administrative form of management to compete successfully with leading industrially advanced countries in what is most important, labor productivity. It may also be stated that the chosen indicators for monitoring ongoing economic processes have failed, because according to the statistics (goods produced, adjusted value added, profits, etc.) economic growth was taking place, yet Czechoslovakia clearly lags behind developed countries in its standard of living. The chief shortcoming of these indicators has been that they measure only the domestic economy, and have had no links to world economic performance.

The inadequate predictive capability of the domestic indicators has been made worse by a complete lack of competition on the domestic market. Using the index method of planning, we have been measuring ourselves with ourselves. This of course has led to serious errors in decisionmaking of which the individual economic entities were not even aware. Nevertheless, these indicators became the basis of the economic mechanism. In the final analysis the economy could end up in world competition only as it has, a failure.

In this context the question has been posed of whether in this transitional period the same problem of inadequate recognition of economic reality might not pose itself in another form, leading us to limit too severely the range of possibilities for the rational management of future economic development. The course of reform efforts in Poland and Hungary serve as serious warnings.

What Analysis Shows

The period of administrative economic management and this transitional period have in common a lack of competition on the domestic market. This results from the specialization of our enterprises and from severely limited possibilities for foreign competition. Enterprises suffer from a lack of hard currency resources to purchase imports and an additional barrier in the form of a commercial exchange rate of Kcs10 per West German mark.

In the CSFR and the FRG wage levels are approximately the same in korunas and marks. It follows then that for a foreign product to be competitive on our market FRG labor productivity must be greater than labor productivity here for the same product by a factor of ten. In other words, the cost to produce the product in marks must be one tenth of its koruna production cost for the product to be successful on our market. It would therefore be enough for our producer to have labor productivity that is less than that in the FRG by a factor of five in order to, for practical purposes, eliminate foreign competition from our market.

A second possibility for creating a competitive environment is to allow foreign capital to establish its own production facilities in the CSFR. For the country as a whole this would mean an immense amount of capital over a long period of time. A third factor weakening the competitive environment here is the easy accessibility of export profits for our firms, allowing them to purchase one mark at a better rate than Kcs10.

Another characteristic shared by the administrative management system and the transitional period is the use of profits as the critical criterion of economic success. The natural expansiveness of profits appears in areas of least resistance. In an uncompetitive situation those areas are prices and easily accessible excess costs. When the administrative barriers to price increases are removed price increases are inevitable. This implies that profits are a necessary category for this transitional period but not a sufficient condition to assure that a firm behaves rationally.

In the current situation the level of inflation is determined by the extent to which wages and prices are deregulated. On the other hand maintenance of existing prices and wages necessarily leads to stagnation. The world will leave us further behind if we delay in deregulating prices and wages. The consequences of such a shock treatment under current conditions are unclear. What we need to do is find some way out of a circle that is nearly closed.

Similar situations and solutions to them are nothing new historically. Our experiences of the recent past prove this. The common denominator of the solutions has generally been an untraditional, creative attitude and a new, generalized conception of the problem. Suggestions for the new approach have not necessarily come from the professionals, in this case the classical economists. This article should be taken in this spirit; as a nontraditional approach to structuring an economic mechanism for this transitional period.

What Efficiency Criteria

An initial fundamental and, at first glance absurd, requirement is that the new mechanism be capable of functioning in both an administrative and a market type economy and, naturally, in the transitional phases of either. To accomplish this the decision making criteria must be such that they do not lead to erroneous decisions in either environment. An essential part of this mechanism is procedures for price and wage formation. Prices and wages should stimulate development towards the target state without inflationary tendencies. In addition, the transition to a prosperous economy should proceed at an adequate pace.

The first step is to identify the position of each enterprise and, of course, each of its products in relation to both the world and, in particular, the EEC countries. Only then will we understand the full magnitude of our backwardness as well as our underutilized capacities, potentials, and possibilities for their utilization, etc. In other words, the first step is to shift from internal, largely isolated criteria of economic efficiency to uniform, world recognized criteria.

This involves measuring labor productivity using world standards, independent of the economic conditions in this or that sector (whether competitive conditions exist or not, whether our currency is convertible or not, the current economic mechanism, etc.).

The above requirements are met by the comparative national labor efficiency criterion, which is based on the following assumptions:

- Production costs, or the domestic wholesale price (input quantity) are expressed as a function of time; the number of hours or minutes of past, present, or future labor that will be expended on the product, servicing it, other output of the enterprise, the branch, etc. This time figure is available from statistics;
- An objective valuation (output quantity) of this embodied labor, i.e. the use values of the product or service. This is provided by the world market, and usually in a convertible currency (dollars, marks, etc.);

At this point it is important that both quantities, i.e. time and convertible currency, are quantities that will not change when transferred across borders. This is the fundamental requirement for international comparisons.

The result of the comparison is a number reflecting the achieved level of comparative efficiency. In the case of an enterprise the comparison is the time in minutes needed to create, for example, one West German mark of output both in our enterprise and in a statistically average foreign enterprise in the same field. A comparison of these times gives us a comparative efficiency figure. If the time to produce one West German mark worth of output is four times as great as the time measured in a firm in the FRG, then the comparative efficiency of our firm is 25 percent. If a worker in our firm takes ten times as long the comparative efficiency of that firm is 10 percent.

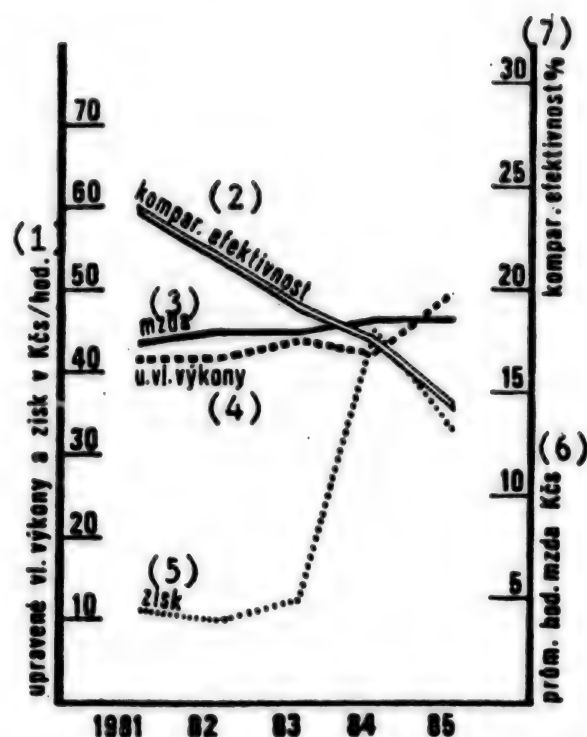
Where Development Is Heading

For example, consider the evolution of comparative efficiency at one of our leading machine tool manufacturers, which wishes to remain unnamed, through the 1980's. The calculation shows that this firm and its suppliers take a little more time to produce one koruna of product than a similar firm in the FRG takes to produce one mark of product. The differences in time were small. This means that in terms of embodied labor, $Kcs1 = DM1$. Capital replacement costs expressed as a ratio of korunas to marks showed an unfavorable growth trend at the measured firm, reflecting the fact that the firm is having to expend increasingly more korunas, and therefore time, to produce one mark of output. The resultant comparative efficiency shows a declining trend and in 1990 is expected to be roughly half of the 1981 figure.

This firm with a mediocre evolution in comparative efficiency is evaluated on the basis of our domestic indicators as a very good performer. This is based on the fact that it exports one third of its output to nonsocialist countries, its high export efficiency ($RU=140$), and its lack of problems selling its output.

The graph shows that positive development of domestic indicators such as adjusted value added and profits do not equate with positive developments in comparative efficiency. In fact, the developmental trends are the inverse of each other. Likewise, average wages rose while comparative efficiency declined. In other words, the farther we fall behind the higher the average wage.

Now let us attempt to answer the question of how fast the comparative efficiency of the measured enterprise would have to grow to be on a par with an average FRG machine tool firm by the year 2000. If, by the year 2000 the time necessary to produce output worth one mark declines by the same percentage that it declined between 1981 and 1988, i.e. 4.3 percent annually, by the year 2000 it will take 0.73 minutes to produce output worth one mark. Our measured enterprise will have to reduce the time it takes to produce output worth one mark by a factor of $9.37/0.73 = 13$, which implies an annual decrease of 19 percent.



The evolution of the comparative efficiency, average hourly wages, hourly profits, and adjusted value added for our average enterprise during 1981-85

Key:

1. Adjusted value added and profits in Kcs/hour.
2. Comparative efficiency.
3. Wages
4. Adjusted value added
5. Profits.
6. Average hourly wage, in Kcs.
7. Comparative efficiency in percent.

Comparative efficiency can, of course, be used to evaluate the difficulty of investment strategies and innovation objectives, to evaluate the feasibility of the programs proposed by candidates for the position of enterprise director, to evaluate the potential impact of cooperative ventures with foreign firms, etc. If we want to adopt world criteria it will not be enough for an investment to be simply profitable, it must yield products that bring us as close as possible to a comparative efficiency of 100 percent. In other words, the goal must be not only profits but a comparative efficiency that is as close as possible to $Kcs1 = DM1$.

Conditions That Motivate

So far we have described comparative efficiency as an analytical and valualational tool. Now we will discuss its use as a component of the economic mechanism.

When seeking a way out of the current situation two important points must be kept in mind as constituents of

an incentive system. First it is necessary that the incentives be sufficiently intense so that they bring out the full potential of the work collective. Secondly, incentives must be structured to channel work group activity in the proper directions.

If the strategic objective of the Czechoslovak economy is to achieve labor productivity on a par with that of the industrially advanced countries, and if we want to be able to measure this productivity in terms of comparative efficiency, then why not directly tie wage levels for a work collective to its achieved level of comparative efficiency? This would mean that the higher the comparative efficiency, the higher would be the wages of a collective. The connection should also be clear so that the work collective feels both the positive and the negative consequences of its efforts. The key to the economy of the transition period is to tie increases in average wages to world efficiency criteria.

What impact will there be on enterprise behavior if wages are tied to comparative efficiency? Work collectives should have a clear interest in maximizing levels of output of products comparable with those produced in developed countries while minimizing the hours spent producing this output. This is the only way for employees to maximize their average wages.

The qualitatively new element in the behavior of work collectives is that they would no longer have an interest in hiding excess capacity. The sooner they can activate such capacity the sooner their average wages will increase. We can expect, then that work collectives will begin to feel like the true masters of their workplace, ready to participate in world economic competition.

Proceeding Against Inflation

Now let us see how significant economic incentives based on comparative efficiency could lead to new economic behavior in price formation. Price formation would work like this: The serious efforts made to maximize the price received for a product abroad while minimizing the labor (time) spent in producing the product should result in a work collective being interested in the lowest possible domestic price. This is because when less time is spent producing a product its total costs are lower and therefore it can be sold for a lower wholesale price, since the basis of embodied costs (whether past, present, or future) is labor, i.e. time expended.

On the world market our work collective should behave just like every other owner of production resources, i.e. he should try to maximize the price received for his products. Yet with regard to domestic customers he would behave just the opposite, i.e. try to minimize the price charged for his product. This is the only approach that would maximize his wages. This model assumes that the firm pays all its bills and meets all its transfer payment responsibilities.

This would mean a complete turnaround in current economic thinking, which calls for maximizing the price received for a product no matter who the customer is. The domestic producer under the new conditions would try to minimize the wholesale (domestic) price of its products without regard for whether it is or is not the monopoly producer of an item.

This opens the possibility of leaving price formation to enterprises. Increasing domestic prices for products without a corresponding increase in that product's valuation on the world market results in a decline in the firm's comparative efficiency, and therefore to a decline in average wages. the reverse is also true. A declining domestic price with constant foreign prices would improve average wages. This would be an important antiinflationary mechanism.

In conclusion it may be stated that the use of comparative efficiency analysis as an analytical and valualational tool has essential benefits for the economic criteria of this transitional period. The link between average wages for enterprise work collectives and that enterprise's comparative efficiency should motivate the necessary economic growth and antiinflationary behavior of enterprises. In addition, price formation can be left to enterprises.

GERMAN DEMOCRATIC REPUBLIC

FRG Agriculture Minister on Restructuring GDR Farm Sector

90GE0210A East Berlin NEUE ZEIT in German 5,
7 Jul 90

[Article by FRG Agriculture Minister Ignaz Kiechle:
"On Restructuring the GDR Farm Sector"]

[5 Jul p 4]

[Text]

I. Market Policy

The Basis: Article 15 of the State Treaty

With the formation of a monetary union and economic community, the GDR farm sector must also be given a market economy direction. Instead of central planning of the production and distribution of foodstuffs, the principles of a social market economy will also apply to the farm and food sector in accordance with the appropriate articles of the state treaty.

With a view to early establishment of German unity, it is a matter of planning as speedy and complete as possible integration for the GDR farm and food sector in the EC agrarian market and hence also in the FRG. That is why my colleague, Dr. Peter Pollack, and I have discussed and formulated in great detail the draft of Article 15 of the state treaty concerning agriculture.

Essentially, its content is directed at including the GDR farm sector in the EC agrarian market. This is served by the following elements:

- Introduction of market regulations in accordance with EC market regulations as a system of price support and [tariff] protection,
- A system of minimum prices guided by the EC price level, as a transitional solution in sensitive areas such as milk and meat production,
- Retention or introduction, respectively, of quantity quotas for sensitive areas in the intra-German goods traffic,
- The willingness, based upon mutuality, to waive price-adjustment levies and reimbursements in the trade with the 11 other EC countries,
- And support for financing measures to ease the structural adjustment process of the enterprises, for an environmental and quality-oriented production, and to avoid surpluses.

Intra-German Trade

On 1 July, a new protective system for the GDR farm and food sector will come into force. To solve marketing and sales problems for certain products in intra-German trade of GDR purchases from the FRG, the following measures will be applied:

- Purchase permits for statistical control of the goods flow, and
- quotas for sensitive products.

The functioning of this regulation will be constantly examined on the basis of actual market development. Should the necessity arise that adjustments are needed in the interest of the consumers or the producers, this can be done in a short time in the commission of state secretaries provided for that purpose.

The setting of quotas will be necessary for a transition period in order to give time to the GDR farm and food sector for restructuring and modernization. This is to prevent the GDR developing into a supplier of raw materials, while the FRG becomes the supplier of finished products to the GDR populace. It is important to me that the net product created by the processing of agricultural goods, as well as jobs, remain in the territory of the GDR. Happily, West German industry sees it the same way.

In view of the deliveries of West German foodstuffs to the GDR, which increased in the past months, the Federal Government has granted the following easements:

- active commission processing,
- transit trade traffic,

—increase and granting of new purchase possibilities according to the equivalence compensation. That is to say, in accordance with goods deliveries to the GDR, additional purchases from the GDR for equivalent quantities of raw materials are authorized.

GDR-EC Trade Relations

The state treaty does not affect the EEC treaty protocol on intra-German trade. But it opens up the possibility of changing trade relations between the GDR and the EC in the sense of a de facto customs union, with the GDR waiving price-adjustment levies and reimbursements if the EC acts accordingly vis-a-vis the GDR.

The EC now wants to avail itself of this offer. Thereby the EC would have created the preconditions for as free as possible goods traffic with the GDR and equal mutual market access, also for agricultural and fishing products.

The EC Commission bases this on the premise that the GDR then no longer distinguishes between the FRG and the other 11 EC member states in the handling of its import quotas. To take this into account, the quotas which already exist in intra-German trade would then have to be opened to all of the EC.

Moreover, the state treaty also provides that the two governments consult each other on the shaping of the measures. As experience has shown so far, this takes place in a decidedly trusting atmosphere.

Adjustment Will Be Socially Cushioned

During a transition period a purposeful package of adjustment measures for the GDR farm sector will be introduced for a social cushion as well as for structural adjustment, attainment of a competitive, environmental and quality-oriented production, and to avoid surpluses.

During the second half of the year 1990, budget funds of DM5.27 billion are available for this purpose. The People's Chamber at present is still debating the GDR budget.

A total of DM302.2 million of this are earmarked for improving the agricultural and market structure. They are to be used for measures such as extensification of production (DM72 million), a heifer bonus (DM4 million), promotion of individual enterprises (DM85 million), improvement of rural housing (DM30 million), village renewal (DM50 million), and consolidation of arable land (DM10 million); for measures of improving the market structure (DM30 million), agricultural-structural preplanning (DM0.2 million), first-time afforestation (DM20 million), and measures against the new types of forest damage (DM1 million).

Also, DM43 million are earmarked for various measures to promote environmentally balanced agriculture. DM2.2 billion are available for adjustment and stopgap aid. Over DM1.5 billion are scheduled for implementation of the market regulation measures, and DM625 million for general agricultural expenses so that, together

with assistance for the forestry and fishing industries, the total comes to over DM5.2 billion. This amount earmarked for six months provides a solid basis for easing the conversion and adjustment to EC price and cost conditions.

A total of DM9.1 billion are available in fiscal year 1991 for these and a number of other measures, such as taking acreage out of production, cultivation of apple plantations, decrease of milk production, lowering the price of diesel fuel, and introduction of environmentally protective technology to agricultural practice.

With the price reform, which will be linked to abolition of the high subsidies for foodstuffs (in 1988, approximately 34 billion marks), functioning markets are to be created again. Although a certain raising of the price level will result for consumers, they will simultaneously partake of the broad range of goods enjoyed by West German consumers.

In the following will first be described the most important elements in the restructuring of market policy in the individual product sectors. A further article will deal with agro-structural and social measures for the adjustment of GDR agriculture.

What Changes Will There Be in the Individual Product Areas?

Grain

State-regulated and preset purchase and delivery obligations will be replaced with price and delivery agreements which are freely negotiated between the respective market partners. For this, elements of the EC grain market regulation will be adopted which is in force in the FRG and the EC, respectively.

In the GDR market, it provides price support through state intervention purchases at an established intervention purchase price. In the GDR as well as the EC, it will amount to approximately DM380 per ton of wheat, and approximately DM360 per ton of barley. From the 1990 harvest only that grain is taken into intervention which corresponds to EC quality criteria. The intervention period stretches from November to May. In addition to intervention, private stockkeeping—i.e., a state-supported financing of storage, will also be promoted.

Because of high grain production and the costs linked to surplus utilization, the EC for years now has levied a so-called coresponsibility duty on producers which is paid over to the EC cash office. With certain exceptions, this will also apply to the GDR.

Vis-a-vis so-called third countries, i.e., non-EC countries, in future the price level will be generally ensured in the GDR, also, through the protective measures in force in the EC. These are levies (so-called price-adjustment levies) on grain imports which prevent the price level then existing in the GDR from being undercut.

But in all this, one must always take into account that in the GDR, also, the price of grain is not only an income factor, but also a cost factor. Since a great quantity of grain is used for fodder, with relatively low grain prices the processing enterprises can also count on lower production costs.

Oils and Fats

In accordance with the EC market regulation system, a price support and tariff protection system will be established.

A basic ordinance regulates the trade with vegetable oils and fats, their raw materials as well as their processing residues. The market regulation of the basic ordinance is limited to rape and turnip seeds, sunflower seeds and olive oil. The principle is applied that the internal market and tariff protection regulations must correspond to EC regulations.

The GDR will retain its two-price system for rape, turnip, and sunflower seeds. Accordingly, because of price support, producer prices are higher than the prices for processors. The price level at the processing and consumer level, respectively, is practically determined by the world market. The difference compared to the producer price level is balanced by assistance to the processors (oil mills and producers of mixed fodder). For exports of rape and turnip seeds, an export reimbursement can be granted.

The producer price level is additionally supported by state purchases (intervention). The intervention regulation corresponds to that of the European Community. Hence there is no quantity limitation, and the intervention period—as in the case of grain—is restricted to the months of November to May. So in principle the same regulations apply in the GDR as in the FRG.

Sugar

The transition market regulation for sugar also follows very closely the EC market regulations. Its essential core is the setting of production quotas for sugar. Also to be adopted are the price regulations with intervention regulations for white sugar and unrefined sugar, threshold prices and basic turnip price as well as minimum prices for Class A and B sugar beets. This applies correspondingly to the assessment of production levies as the basis for self-financing of the sugar market regulation in the GDR. In addition, the industry itself will introduce a system of promoting private stockkeeping, financed through levies.

Sugar production exceeding domestic consumption is to be exported to third countries with export reimbursements. To ensure supply of the GDR, a minimum storage quantity is planned, as in the EC. Sugar imports, as in the EC, are subject to a price-adjustment levy.

Milk

Adoption of the respective EC basic ordinance is planned for milk. It contains the basic rules for tariff protection, price support, state allowances, quality, guaranteed quantity regulation and coresponsibility levy.

Milk supply in the GDR in 1988 amounted to 7.76 million tons. For 1990 an increase to approximately 8.3 million tons is expected. If it is assumed that the same consumption habits will develop in the GDR as in the FRG, approximately 6.22 million tons per year could be sold in the GDR. For this reason, a production reduction of approximately 20 percent compared to the 1989 supply will become necessary. This corresponds to the reduction rate which had to be accepted by the large producer enterprises in the FRG since introduction of the quota regulation.

For the period between 2 July 1990 and 31 March 1991, or until application of EC law, the GDR has adopted a kind of quota regulation by establishing minimum prices for a certain quantity. The minimum price must be set in such a way that the processing products of milk remain salable on the market.

Supply quantities for agricultural enterprises are set by the kreis councils for the period between 1 July 1990 to 31 March 1991, or until application of the EC law, respectively. For milk deliveries above the established supply quantity, the milk producers receive only 25 percent of the minimum price. The amount of individual enterprises' supply quantities for nontaxed cow's milk deliveries is 5.365 million tons until 31 March 1991.

External market safeguarding is done through price-adjustment levies and reimbursements. Import and export licenses are required for all imports and exports. Guideline, investment, and threshold prices and the amount of state allowances are to correspond to the respective amounts established by the EC for the FRG. To stabilize the market, by 1 March 1991 at the latest a system of intervention is to be established with measures of public as well as private stockkeeping as in the FRG (butter, skim milk powder, cheese). Until then, only private stockkeeping and allowance regulations are to be applied transitionally (for instance, using skim milk and powdered skim milk for fodder purposes, milk delivery to schools, butter delivery).

The GDR milk industry is obligated to buy contractually fixed amounts of milk, applying the minimum price system vis-a-vis the milk producers. After expiration of the contract date (1 April 1991), the guaranteed quantity regulation is to be adopted according to the adjusted EC regulation.

The assessment of a coresponsibility levy is also planned, but at first only at a reduced rate compared to the FRG of one percent of the guideline price for milk. So-called disadvantaged areas, which receive compensatory payment, are exempted from it.

Beef, Pork, and Mutton

In these product groups, the GDR has exceeded full self-supply. Hence a short-term reduction of the supply surplus through extensive slaughtering could lead to undesirable additional market burdens.

In order to prevent a drop in market prices below a certain price level, the transitional market regulations are to be largely guided by the described system for milk. Therefore, slaughtering enterprises are obligated to pay minimum prices to the agricultural producers during a transitional period of six months. For internal price support, state allowances for private stockkeeping and export reimbursements are planned, following the rates applied in the EC.

Safeguarding market prices vis-a-vis third countries is implemented through assessments of price-adjustment levies. In the case of beef, additional customs duties are levied. The regulation on price-adjustment levies and reimbursements also applies to EC member states—with the exception of the FRG—as long as the EC on its part does not waive price-adjustment levies and reimbursements.

The special bonus for beef producers, the bonus for maintaining heifer stocks, and the bonus in favor of mutton producers in principle is granted in the GDR according to the respective EC regulations. In the case of the special bonus for beef producers—it amounts to DM94 per male animal for slaughter—the maximum number of 90 animals per enterprise which applies in the EC at present can be exceeded until 31 December 1990. The heifer bonus is DM152, and the ewe bonus for this year amounts to approximately DM53.

Poultry, Eggs, Rabbit Meat

The GDR has an ample supply of poultry for slaughter. Poultry production in 1988 amounted to 277,000 tons live weight (including rabbit meat).

With application of the elements of the EC market regulation (officially maintained prices and price-adjustment levies, and reimbursements vis-a-vis third countries) future prices will be established entirely freely on the market, particularly since no internal price support is planned. In the case of poultry, the producer price will be geared to the grain price because of the high percentage of fodder costs in the total production costs (approximately 60 percent).

In the case of eggs, production with 5.7 million eggs exceeds consumption by seven percent.

The new market regulation for eggs corresponds largely to that for poultry. The future producer price for eggs will be strongly guided by the grain price because of the high percentage of fodder costs in the total production costs (approximately 70 percent). A decrease in production of eggs can be expected.

Fresh Fruit and Vegetables

The GDR market organization for fresh fruit and vegetables corresponds largely to the EC regulation. EC quality standards will, however, be introduced with a time-limited exception for products originating in the GDR for its domestic market with regard to packaging requirements and labeling of the merchandise as well as sorting by size of apples and tomatoes. The minimum standards provided in the EC regulations will be applied. The technical preconditions for observing these criteria are being prepared in the GDR.

The possibility of intervention is being created through producer organizations which have yet to be formed. As in the FRG, market repurchases for apples, pears, cauliflower, and tomatoes will be considered. Intervention is planned under the same conditions as in the EC. Maximum repurchase prices correspond to the prices applied in the FRG.

To ensure tariff protection, the reference price system of the EC market regulation will be adopted. The GDR will collect countervailing levies to the same extent as the EC. Export reimbursements can be granted in accordance with the EC regulation. Foreign trade in fruit and vegetables in the EC is liberalized, if reference prices for 18 products are not applied. The EC market organization does not provide for import licenses.

The GDR establishes a system of import licenses and quotas to the extent that it is necessary to protect sensitive goods of their own production. For imports of products which are not grown in the GDR, or hardly so, importation is liberalized. Instruments for preventing market disruptions are planned.

Processed Fruit and Vegetable Products

The GDR's transitional market organization closely follows the EC market organization. The production allowance regulation for processed tomato products will be adopted. At present, approximately 25,000 tons of tomatoes are processed annually as tomato puree and tomato juice.

Foreign trade in processed fruit and vegetable products is largely liberalized in the EC. To the extent that the EC provides minimum import prices for individual products (processed cherry and dried grape products), price-adjustment levies on the content of sugar added, and the possibility of granting export reimbursements, these regulations will be adopted. The amounts correspond to the sums applicable in the FRG.

The EC market organization provides for import licenses for a number of processed products. The GDR adopts these regulations. In addition, for other important products of its own processing industry, depending on sensitivity, it provides for a system with quotas or licenses, respectively, to control imports.

Wine

The GDR will adopt the EC wine market regulation and the FRG wine legislation. Until now, the production quantity in the GDR came to approximately 60,000 hectoliters annually. No change is expected after 1 July 1990. An important element of the GDR's new market regulation is the internal pricing. The GDR's wine market regulation contains no guaranteed prices. Only annual guideline prices for table wines are established; if prices fall below that, intervention measures can be initiated.

Export reimbursements are granted for exports of table wine to third countries. The reference price system used in the wine sector of the European communities will be adopted as an external safeguard.

Transitional periods will be needed in the areas of ecological procedures and labeling methods.

Hops

The EC hops market regulation will be adopted by the GDR without restriction. So far, the GDR production quantity came to approximately 60,000 hundredweights. No change is expected after 1 July 1990. The GDR's new hops market regulation contains no guaranteed prices. At the end of a financial year, a producer allowance depending on acreage will be paid. Only quality protection is provided vis-a-vis third countries.

Until German unity is established, in case of market disruptions import and export quotas can be determined within the framework of a licensing system.

Live Plants and Goods of the Flower Trade

The GDR will largely adopt the EC market organization, and in particular introduce EC quality standards. In accordance with the EC regulation, neither guaranteed prices nor import price-adjustment levies are scheduled.

In a number of products, the GDR will provide for a licensing system without quantity limitations for import control.

Implementation of the Market Regulations

The institutional prerequisites for implementation of the market regulations described were created through establishment of an institution for agricultural market regulations (ALM). The respective funds to finance the various market regulation tasks will be allocated to the GDR agricultural budget for 1990 and 1991.

(The article will be continued.)

[7 Jul p 4]

[Text]

Transition Regulations Needed

With the introduction of the EC agricultural market regulations and EC prices, a sharp drop in prices resulted

for agricultural producers in the GDR such as never happened before anywhere. Thus producer prices in the GDR have drastically declined. Although it was difficult to assess how price formation would develop within the market regulations, it was certain that a complete and unchanged adoption of EC regulations as of 1 July 1990 was not possible. For this reason, transitional market regulations were created.

Some of the transitional market regulations contain certain particular points which are to take into account the so far greatly divergent price levels, and also the totally different GDR agricultural structure.

The former endeavor in the GDR, to secure complete self-supply in all agricultural sectors if possible, and in addition to export agricultural products for foreign currency, in the past led to self-sufficiency rates of sometimes over 100 percent in important sectors. The loss of consumer subsidies will make adjustment of the already excessive production to demand more difficult. Moreover, in recent weeks and months a sales stoppage occurred, particularly in the milk and meat sectors.

Minimum Prices for Problem Products

Against this background, a complete setting free of prices as of 1 July with exclusive application of the tools of the EC market regulations would have been unjustifiable. Prices would probably have fallen far below the EC level. For this reason, the transitional market regulations of the GDR provide for minimum prices for milk, beef, and pork. These minimum prices are guaranteed by slaughter houses and dairies for certain minimum quantities.

The production quantities exceeding GDR consumption must be sold on third country markets by granting special reimbursements. One possibility in particular would be some state-trading countries with which close trade relations already existed previously. "Surplus quantities" which cannot be sold at minimum prices must be sold below market prices. The system of minimum prices can only be applied for a limited period of time.

In view of the totally different structure of producer enterprises compared to comparable enterprises in the EC, there will be temporary divergences in the coresponsibility levy for grain and milk, and also in the bonus regulation for male beef cattle.

Production Management Needed

In the consultations with the GDR government so far, it was also discussed to what extent present GDR production in the agricultural sector can be maintained or can be continued, respectively, in an economically meaningful and ecologically warrantable manner.

In the milk sector above all, production will have to be curtailed considerably. The capacity adjustment in the GDR necessary to observe a quota will be eased through special measures. I may mention that in the reduction of milk production in the EC, also, a certain amount of compensatory payments was granted for the waiver of production.

A production adjustment will also occur in the meat sector with the introduction of a market economy. That is to say, it will lead to a drop in production.

The situation in the grain sector is somewhat different. In this case, up to now less was produced than consumed. A production quantity of approximately 11 million tons of grain faced consumption of approximately 14 million tons. But in this sector, a slight increase in production and a noticeable drop in consumption can quickly lead to complete self-sufficiency. It can be expected that the reduction in milk/meat production will lead to a drop in fodder grain consumption. Consumption of bread—after the elimination of consumer subsidies—will also decrease noticeably.

However, precise quantity regulations for milk and sugar, as well as adjustment of EC-guaranteed quantities for grain and oil-bearing seeds within the framework of stabilizers, must still be negotiated in the EC agricultural council.

Acreage To Be Taken Out of Production in GDR

Limiting of production in the arable farming sector is to be made easier through premiums. Many farmers in the FRG have voluntarily taken acreage out of production and received a premium for it. In this manner over 600,000 hectares have been taken out of production in all of the EC. Comparable aid is also granted in the GDR. The desired shut-down acreage ranges between approximately 200,000 and 300,000 hectares.

The average premium will be approximately DM600 per hectare (DM11,000 in the FRG), and the spread will be lower than with us [the FRG]. The lower premium—as compared to the FRG—is based on the fact that, because of the lower production level and comparatively high production costs on the farmland, lower marginal incomes were attained, and that the farmland units to be taken out of production in the GDR of more than 100 hectares per enterprise will also save part of the fixed costs.

Lastly, production will also have to be cut back since, in certain cases, it is not compatible with the demands of an effective protection of the environment and nature.

Adjustment Aid for GDR Enterprises

Although the development of production and operating fund prices cannot be assessed completely, it is probable—despite the transitional market regulations described here—that very soon liquidity shortages (wage

payments, and also interest payments and obligations) and pressure on income will occur in the enterprises.

Hence adjustment grants will be given, in order to make the necessary structural adjustment process socially bearable. These adjustment grants are linked to clear criteria and signals:

1. They have a time limit.
2. They are graduated degressively.
3. The enterprises must prove their capability for development (as of 1991) with a plan for enterprise restructuring.

II. Development of the Rural Area—Agricultural Structure

Indispensable for a healthy development of GDR agricultural structures is the creation of legal preconditions for the acquisition of property and the right of free disposal over property. Only then will the individual be able to direct himself to making a living from farming. At present, great priority is given in both German states to working out a solution to the difficult key questions of property rights.

Structural Policy Worked Out in Principle

It can already be said clearly now that this legal framework alone is not sufficient to get the necessary structural adjustment moving. Financial assistance in particular is indispensable. As described above, appropriate funds have been earmarked for this in the GDR agricultural budget. In principle, the measures in the structure policy sector that proved themselves in the FRG would also make a good starting base for the promotion policy in the GDR. Its government has meanwhile developed principles for it.

The promotion measures geared to West German agriculture and their desired development aims, their framework established by EC law, create problems in the shaping of the GDR. I should like to explain that briefly with the example of the so-called Individual Enterprise Investment Promotion Program (EFP).

Individual Enterprise Investment Promotion Not Transferable

Under this program, enterprise investments worthy of promotion are for the qualitative improvement of production, lowering of production costs, energy savings, etc.

This means that the new formation of farm enterprises so very important for the GDR cannot be supported with this promotion geared to our conditions. That also applies to resettlement, for instance, which is promoted by the EFP. For this reason, our farmers who want to receive the respective promotion must contribute the value of the former farm to the financing.

Moreover, the setting of certain promotion limits is also to ensure that the funds benefit primarily farm establishments. For example, investments in the sector of dairy cattle can be promoted only if, among other things, at the time of application no more than 40 cows per full-time labor, and 60 cows per farm enterprise, are kept and these limits are not exceeded due to the investments. For cooperatives, the number of cows is extended to 120.

But the starting position in the GDR is quite different. If these promotion criteria were simply transferred [to the GDR], only the approximately 3,000 independent private enterprises in the GDR could be promoted. These funds could not be used, however, for the necessary deconcentration and restructuring of socialist agriculture.

But since one cannot and does not want to change all the promotion regulations, deliberately chosen for the FRG and guided by EC law, to such an extent that they also suit GDR agriculture, some new measures must be created. Essentially, they are the following:

- Investment promotion for the reestablishment and modernization of family farms operated full-time or part-time, and
- Investment promotion for the restructuring of agricultural enterprises in the form of juristic persons, i.e., LPG's [Agricultural Producer Cooperative].

Reestablishment of Family-Operated Farms

In this, promotion is given to full-time and part-time farm operations, but also to legal entities who work an agricultural or forestry enterprise and pursue aims directly benefitting the public, church or charity. The agricultural budget for 1990 has DM30 million available for full-time farm operations, and DM315 million next year; for part-time farm operations, DM10 million and DM20 million, respectively. Allocations to the individual enterprises are made in the form of subsidies, public loans and interest-rate reductions on capital market loans, each up to a certain maximum limit. Restrictions in promotion exist for beef production, raising dairy cattle and pigs, and in the egg and poultry sectors.

Modernization of Existing Family Farm Operations

In this case, also, full-time and part-time farm operations are promoted. Budget funds of DM20 million (1990) and DM40 million (1991) are earmarked for this. Assistance is to be given for investments serving greater efficiency and easing the work load in family farm operations. It is similar to that for the reestablishment of enterprises, but not as extensive and comprehensive.

Start-Up Assistance for the Restructuring of LPG's

The budget funds earmarked for this purpose of DM25 million (1990) and DM200 (1991), respectively, are to serve the restructuring of enterprises existing on the basis of the LPG law into sizes of operations justifiable

from a business-administrative standpoint. There is above all assistance for enterprise investments which:

- are due to restructuring, particularly the reduction in labor force,
- serve environmental protection, preservation of agricultural resources and animal protection (improvement of application technology for pesticides and fertilizers, increasing storage capacity for farm-produced fertilizers), and
- serve adjustment to the market development (for instance, improving milk hygiene).

Also entitled to promotion are partnerships and joint stock companies in the agriculture, horticulture, and freshwater fishery sectors. VEG's [state farms], on the other hand, are excluded from promotion. Restructuring must take place within the framework of a rehabilitation and development plan. It must lead to:

- adjusting the production and organization structure to the conditions of a social market economy,
- reducing the labor force appropriate to the enterprise,
- raising wages and salaries of the remaining labor force, and
- attaining an environmentally sound plant and animal production.

The allocations are made in the form of interest-rate reductions for loans from the capital market and grants. Promotion restrictions are applied as in the reestablishment of enterprises.

Reallocation of Farm Land

To improve the competitiveness and also the environmental compatibility of production, procedures for the reallocation of farmland are also needed in the GDR. In this it will above all be important to allocate continuous areas to the newly forming agricultural enterprises. This will simultaneously prevent a splintering up of the remaining areas worked by cooperatives or other legal entities.

Market Structure Also To Be Improved

Improving the market structure will also be a particular challenge in the GDR. The processing bottlenecks, particularly in the case of livestock for slaughter, show clearly that special efforts are needed to create new capacities. This calls for national as well as European solidarity.

In the great tasks facing us, in accordance with market economy requirements, the state can only shape the framework conditions and grant subsidiary assistance. The initiative for modernization and restructuring of the agricultural sector must come from enterprises in the GDR and FRG willing to make a commitment, and from the other European neighboring countries. The state will

grant investment promotion, above all for new construction of slaughter houses, new construction of, and efficiency measures for, dairies as well as for processing and marketing establishments for other agricultural products. In the second half of 1990, DM30 million are available for improving the market structure, and DM110 million in 1991.

Social Policy

Social union accompanies the introduction of the market economy in the GDR. In accordance with Articles 18-23 of the state treaty, at present the draft of a law on social insurance is being discussed in the GDR. This law will regulate health insurance, pension insurance and accident insurance.

It is the aim of this law to end the uniform insurance system existing in the GDR at present. As of 1 July 1990, the GDR (like the FRG) has a structured system of social insurance (pension, health, accident, and unemployment insurances). In the area of pension, health and accident insurance, autonomous bearers are to be formed for the individual branches of social insurance by 1 January 1991, if possible.

Farmers Remain Under Social Insurance

Social insurance is obligatory for all persons who draw income from independent or dependent work. Hence, for the transition period, the obligatory comprehensive social insurance will at first continue in the GDR. Thus independent farmers as well as LPG members and employees of the LPG's and VEG's are insured under this social insurance.

Self-employed persons are exempted from obligatory participation in the pension and health insurances if they can prove that they are adequately insured elsewhere. But the GDR has expressly excluded farmers and LPG members from this exemption option.

The contribution rates in the GDR will correspond to those in the FRG. That is to say, for the pension insurance 18.7 percent of gross earnings are retained as contribution, and 12.8 percent for health insurance. Half of each is to be borne by the employer, the other half by the employee. The LPG is considered the employer.

Pension Insurance

The net pension level of the GDR will in future correspond to that of the FRG. That means, pensioners who have fulfilled their work requirements (45 years of insurance) receive 70 percent of the net income of employed persons in the GDR. This will lead to a noticeable increase in pensions in the GDR. In contrast to farmers in the FRG, who have only partial insurance coverage through old-age assistance, GDR farmers thus have a full insurance coverage system for their old age.

Health Insurance

In addition to the preliminary continuation of present insurance systems, a gradual change in the availability of [other] insurances will take place, corresponding to that in the FRG.

Health insurance grants benefits in kind and money payments. In contrast to the FRG, farmers in the GDR, in case of illness, will continue to receive sick pay (and no operating assistance).

Accident Insurance

The funds for accident insurance are essentially financed through the accident charges which are to be paid by the employers (LPG's, independent farmers) exclusively. The accident insurance grants benefits in kind and money payments.

Unemployment Insurance and Works Development

In accordance with the state treaty, the GDR introduces a system of unemployment insurance including a works development program which corresponds to the regulations of FRG Works Development Law (AFG) (taking into account the special circumstances of the GDR).

Under the GDR Works Development Law, LPG members are considered employees and are fully covered by the GDR Works Development Law. Thus LPG members (like employees) receive financial aid in case of unemployment, shortened working hours and vocational qualification (for example, retraining). In addition, with the tool of job creation measures, a contribution can be made toward stabilizing the labor market situation in the GDR.

Regulation of Early Retirement

Since February 1990, the GDR also has a regulation on early retirement. Under it, workers and employees as well as members of production cooperatives, if this benefit was approved by the general meeting of the cooperative, can take early retirement as of the fifth year before the normal retirement age.

A precondition for this benefit is that efficiency measures, other structural changes, health or other reasons lead to job loss. Early retirement pay amounts to 70 percent of the average net wage during the last 12 months. The contributions to health and pension insurances are assumed by the employer.

Early retirement pay is granted by the enterprise upon application. Up to 1 July 1990, the enterprise was reimbursed for 50 percent of the early retirement pay from the state budget. Certain agricultural enterprises and agricultural production cooperatives will also be reimbursed from the agricultural budget for the remaining 50 percent of the early retirement pay and for the social insurance contributions assumed for the recipient of early retirement pay. This means that early

retirement pay benefits in the agricultural sector are assumed fully by the state budget.

Concluding Remark

It would be presumptuous to try to conclusively assess the development lying ahead of us. Never before was an agricultural sector—or even an entire economy—so radically turned upside down in such a short time. We are thus facing a “world premiere,” which we must carry out with resolve, but also socially bearable in the interest of people oppressed over decades.

However, with a stable policy—that also includes a sensible agricultural policy—and our flourishing social market economy we have the best chances to successfully master the tasks lying ahead of us.

POLAND

Fuel Imports: Decentralization, Structure, Ministerial Policy Viewed

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[Article by Pawel Tarnowski: “Everybody Is Happy But the Finance Minister: After Vodka—Gasoline”]

[Text] The dealers operating on the West European fuels market have had various kinds of clients, but the types they see coming from Poland are probably types they have never seen before. They carry plastic bags stuffed with dollars or other hard currency. They clearly have a difficult time sputtering out even the word gasoline in English. Moreover, they are obviously unfamiliar with the laws and customs that govern such trade. That is the picture of the new type of “Polish petroleum merchant.”

Fortunately, not all of them make the trip immediately. Many of them first try to “get the lay of the land” by phone and quite often they shock the people at the other end of the line from Hamburg and Rotterdam with their approach to the matter. According to Reuter's, in May just one large Western fuels trade firm had 30-40 such clients per day. Now that it is no longer profitable to trade in vodka and spirits, wealthier and more enterprising Poles have shifted over to gasoline. Its their money and their business.

Since the beginning of the year, i.e., since the time of the formal breakup of the Ciech-Petrolimpex monopoly, anyone may trade in fuels. Taken together, signed contracts, novices and dilettantes still represent a marginal group. Ciech, CPN [Petroleum Products Center] and several financially solid private brokers import gasoline in wholesale amounts. They know how to go about doing business; they have proven this.

If there were no private import firms, the spring gasoline crisis in Poland would probably have been even more annoying and longer than it was. Let me call to mind that when Soviet and Polish fuel sources unexpectedly dried

up in April, only a rapid increase in imports from the West was able to save the situation. Private enterprises and companies competed quite admirably. CPN and Ciech experienced difficulties with stepping up deliveries, but they managed to tap other sources or to get known sources going more quickly.

It is estimated that in April and May alone private importers imported tens of thousands of tons of motor fuels. CPN purchased twice as much directly. Today Ciech's chief competitors are Figra Holland Ltd, headquartered in Rumia; Europol Trading House from Barlink; the Erge Export-Import Trade Enterprise from Poznan; and the firm Aleksander Gawronik.

If nothing changes, the number of those who wish to import fuel into Poland in wholesale amounts will continue to grow. Given the current level of prices at home and abroad, and the high rate of the dollar, this is a very good business, and not only for importers but likewise for the CPN. Obviously, motorists, who are again able to purchase fuel (for how long nobody knows) and who even have a wide selection, are also pleased. Only the finance minister, who does not receive a single grosz from this trade, is unhappy. However, he apparently has recognized that maintaining strong incentives for imports, and thereby for a permanent, good supply, is more important at this time than money itself. Maybe so.

This decision has the following consequences. According to data from the Treasury Department in Gdansk, the Figra Holland enterprise imported 10,900 tons of leaded gasoline in May and made 8.3 billion zlotys. Profits from Poznan's Erge firm, attained between January and May 1990, were fixed by the Szczecin Treasury Department at 5.17 billion zlotys. Conservative MF [Ministry of Finance] Turnover Tax Department estimates show that the import of 41,000 tons of leaded gasoline 98 between 21 April and 18 May yielded a profit averaging about 13.6 billion zlotys. In the next few months these sums will obviously increase significantly. Poland's domestic fuels balance shows that in 1990 Poland will have to import a million tons of leaded gasoline. In previous years, Soviet refineries covered half our import needs. But now?

If we assume that the entire million tons will be imported from the West, then importers will gain a clear profit of 440 billion zlotys for their work of making cash purchases of gasoline. This profit will be shared by Ciech, CPN and private firms in proportions which are difficult to estimate today. It would seem that this is not a bad profit for classic brokerage.

Such enormous profits for brokers are possible because gasoline import is exempt from the turnover tax. After paying the tariff, they paid 1,960 zlotys for a liter of leaded 98 in May. The Finance Ministry estimated the costs of transporting it to Poland by water at approximately 60 zlotys. If CPN had paid suppliers 2,250 zlotys per liter, i.e., as much as it paid a domestic producer for poorer-quality leaded 94, the profit per liter would have

been 230 zlotys. For CPN such a transaction was also very profitable because "red" gasoline sells for 2,450-3,000 zlotys at gasoline stations. The only question is whether merchants and the CPN should be raking in all these sums.

Opinions on this issue are divided. Brokers in general question such calculations, claiming that their own costs are much higher than the treasury departments suggest. Representatives from Figra Holland claim, for example, that their so-called overall costs amount to 25 percent of the import value. The Finance Ministry in turn clearly disbelieves this. If this were really the case, the profit of importers would continue to be minimal and there would not be such raids on Rotterdam, London, Hamburg, Amsterdam and Antwerp by new seekers after gasoline transactions. Why do they shove their way through the doors and windows, ready to pay not \$229 per ton but \$243?

If we assume the Finance Ministry's taxation department figures to be correct, then we still do not know what to do next with these enormous profits. The "budget lobby" would like to pump this source of revenues. At the Finance Ministry they say that imposing a tax of just 7 percent would bring revenues of 220 billion zlotys into the state treasury on the import of 1 million tons of leaded gasoline. This is nothing to sneeze at at a time when we will import 1.2 millions of crude this year from the USSR for dollars, costing Poland an added 1.1 trillion zlotys for the year.

Opponents argue that the introduction of such a tax will cause import to become unprofitable if it coincides with the trend towards increasing prices on the international fuels market, and the Polish government wants to preserve the present domestic price level for a time. They likewise argue that taxing importers would make a very bad impression on large petroleum companies, whom we are trying to lure without results and who are, moreover, already quite disgusted with the instability of Poland's economic system.

The Ministry of Finance is so afraid of weakening the present extremely shaky stability of the Polish fuels market that gasoline import remains untaxed for the present. Nor has the compromise proposed by Tomasz Bartoszewicz, president of the Main Customs Office, to "possibly introduce a turnover tax for private persons importing motor fuels" been accepted for the present. Besides, this would not be of much significance economically, since various firms and companies are the biggest importers of gasoline, and it would conflict with the principle of the equal treatment of all economic organizational units (which is supposed to be the canon of administrative behavior but still is not).

The admirable restraint exhibited at present by the finance minister in the administration of his rights and monies (the fuels trade is highly taxed worldwide) is certainly contributing over the short term to moderating

tensions on the domestic fuels market and it is encouraging import, without which we would have to completely stop driving our cars. Moreover, given the continuing high rate of inflation, it is limiting the natural pressure to increase gasoline prices. All motorists can be very happy about this—for now.

Over the long term, however, such a policy is unacceptable. It lines the pockets of those whose pockets should not be lined. I do not think that Mr Gawronik would join with Mr Figurski (of Figra Holland) or even with CPN to form a company to build the next refinery in Poland (which we need desperately) using monies which they are making on their brokerage, thanks to the tax loopholes. It is obvious that the import of gasoline, and not of crude oil, maintained over the years, would be costly, and ridiculous in economic terms. We cannot allow this sort of game, and we must end it as soon as possible. Large, expensive capital spending projects are needed in the Polish petrochemical industry. Some of the monies which could be accumulated for this purpose are slipping through our fingers.

The state, says Minister Syryjczyk, exists primarily on fuel and alcohol taxes. The minister is correct. In 1990, the importers of crude oil alone, Polish refineries (which pay 53 percent of the turnover tax on their gasoline sales) and CPN should bring 10.4 trillion zlotys into the budget. Obviously, granting special, privileged status to gasoline importers for the short term is advantageous to motorists. It calms the continually shaky market. But what will happen when the economic crisis subsides and the present artificial surplus in the Polish trade balance ends? What currency will we use to pay for our enormous gasoline imports? How long will this continue?

The threshold of the summer, at a time when people are preparing for more frequent trips and vacations and stability on the fuels market has very shaky foundations, is certainly not a good time to change the taxation policy in this field. In the fall, however, we will have to return to the matter, even if changes in prices and the currency rate of exchange make this untimely.

National Stock Exchange Council To Stimulate Market Uniformity

90EP0688A Warsaw ZYCIE GOSPODARCZE
in Polish No 24, 17 Jun 90 p 13

[Article by Z.G.: "National Stock Exchange Council"]

[Text] We already have more than 40 commodity and currency exchanges in our country. The rate with which they are increasing is, indeed, impressive. The only thing being that if they do function it is without specialization—they all deal with nearly everything. Taking advantage of the "Lodz Stock Exchange" [Gielda Lodzka] invitation, 15 of them met to form the National Stock Exchange Council. Actually, the name had not been settled upon conclusively since the objective was to

create an informalized forum of presenting common interests without the right to impose the will of the majority on others.

The concept seems to be highly valid for it turns out that not all of them observe the principle of accrediting stockbrokerage agencies on the exchange. There is also a lack of a mutual exchange of information about dishonest brokers. Instances of revoked accreditation have also not been isolated and it is probable that these same brokers will appear at other exchanges.

In conducting one exchange's transaction at another exchange, the problem arises of whether stock exchange fees should be standardized or whether full, mutual competition should be in force in this respect as well. Can the same brokerage firm operate alongside another exchange without permission or with the approval of the parent exchange?

Stocks and bonds of various firms are being issued whereas we do not yet have a state commission for regulating securities. Thus, a subsequent proposal has arisen that there be mutual cooperation in informing each other that a specific client is regarded as possessing little credibility.

To protect the reputation of exchanges, it would be advisable to think about having the right to use the name "exchange" fulfill certain requirements. Until now, there has been too much freedom here. Frequently, even such basic principles as the one that transactions are to be negotiated for bulk commodities (lending themselves to standardization) have not been complied with: pseudoexchanges have sprung up constituting a manufacturer's "shop" who has formed an exchange or who was its shareholder.

The need for the joint combating of monopolistic practices that block the development of exchanges was also discussed.

Actually, everyone should be interested in having the credibility of exchanges grow if one wants to have them survive and gain the trust of clients. Particularly those exchanges, whose rules of operation and organizational forms have gained the greatest recognition (e.g. the "Lodz Exchange" and the "Bydgoszcz Exchange"), aimed for the voluntary standardization of rules. Although everyone who came to the meeting in Lodz committed themselves to participation in cooperating with the newly created forum (the acceptance of other willing participants was declared), nonetheless, unity was not achieved during the first meeting. I would attribute this to the fact that weaker exchanges fear that it will be difficult for them to fulfill the "requirements of professionalism." On the other hand, the proposal to jointly work out opinions about regulatory entries prepared at the Ministry of Domestic Trade and the Ministry of Finance (drafts of laws on stock exchanges are being drawn up) was accepted gladly.

Dr. Janusz Bilski, president of the "Lodz Exchange," was unanimously chosen chairman of the forum.

It is worth noting that the meeting was ignored by all of the capital's exchanges.

Metronex Computers: Service Key to USSR Sales; Joint Ventures

90EP0695A Warsaw PRZEGLAD TYGODNIOWY
in Polish No 24, 17 Jun 90 pp 4-5

[Interview with Andrzej Ziaja, executive director of Metronex, by Andrzej Rutkowski; place and date not given: "The Computer Business"]

[Text] [Rutkowski] Metronex became famous at the Poznan International Trade Fair for concluding huge contracts worth hundreds of millions of rubles and "tailored" especially to the Soviet partner. Besides, that was gratifying to the Russians themselves: the biggest customer gets the lion's share of goods. The phony foreign trade game is coming to an end and nowadays intergovernmental protocol, that is, fulfilling some behests handed down from "the top," is being replaced with direct dollar settlements with customers. In such a situation will trade with Metronex pay off to the Russians?

[Ziaja] On our part we feel some apprehension as to the terms for exports to the USSR. But I think that the Russians, too, lack a definite concept. They told us just one thing: no priorities will apply.

[Rutkowski] So this means our chances for computer exports to the East also are poor, considering that our chances for these exports to the West have never been good.

[Ziaja] I believe that, in saying that, the Russians had in mind political priorities, which previously acted as a kind of prosthesis.

[Rutkowski] Might not it be also that they referred to the quality of the equipment provided by your company?

[Ziaja] Our principal product is the Mazovia professional microcomputer, one of the most up-to-date designs of this type in CEMA countries. Last year we had shipped 5,000 of these computers and this year we are to ship twice as many. Another item is printers. The latest varieties are equipped with keyboards and adapted to work with microcomputers. I could give many more examples of equipment that does not diverge too much from [West] European standards.

[Rutkowski] I am listening....

[Ziaja] IKK assemblies, that is, artificial intelligence systems assembled on the basis of "Camac" components, screen monitors, Slimline-type disks, Winchester hard disks, plotters.

[Rutkowski] The Russians do not have to buy them all from Metronex. They would have little trouble finding several hundred other companies offering the same or even better equipment. Unless you get their business by offering much lower prices.

[Ziaja] That is so indeed. "At the border" a hundred Western companies expecting a welcoming nod from Moscow are waiting. Some of them have, at their own risk, opened offices and even sales outlets in Moscow. But at most this involves retail trade, and is based on hard currencies, meaning that it is inaccessible to the average mortal and intended merely to service the Western bureaus and offices in Moscow. In other words, considering the needs of that country, this is not even a drop in the bucket. Serious buyers—and in the case of Metronex they are departments of the USSR Academy of Sciences and its affiliates in the Union republics—obtain their equipment from the company which provides servicing. The Russians even told us plainly, "You may be even a little more expensive, but we shall buy from you, because you provide servicing."

[Rutkowski] So your sleep can be undisturbed; a better situation is hard to imagine.

[Ziaja] Seemingly. Last year our exports to the USSR reached nearly one-half billion rubles. But at that time the state used to allocate the funds and handle the orders, whereas now the enterprise itself must find a way of getting the funds to acquire computer equipment. In such a situation anything is possible: our exports may either grow or decline drastically. To this day also we do not know what the Russians want to buy—a little of everything or only the Mazovia computers? If the situation reaches an extreme, some factories may go bankrupt.

[Rutkowski] The private companies which trade in computers reexported from the West and principally from the Far East have no such problems. Is it that their merchandise is better?

[Ziaja] Until recently, when accounts had to be cleared in rubles, that was indeed so. They would purchase cheap for dollars and sell dear for rubles. Next, they used these rubles to buy, e.g., lumber, which they exported to the West, thus obtaining the funds for expanding their businesses. Basically, however, the deals closed were far from huge, if only because the customers were cooperatives, youth clubs, etc. Now that the Russians have to pay in dollars, the Polish middleman ceases to be needed. They themselves can buy more cheaply in Singapore or Taiwan.

[Rutkowski] But as for the earnings of these [Polish middleman] companies, nobody can take them away from them. Metronex, too, could make a profit in this line of business.

[Ziaja] And it did. Major Polish private companies used our network of contacts to sell in the USSR. What is more, we were contacted by Western companies which

asked us to handle the distribution of their goods. In both cases the reason is the same: they cannot handle servicing in the USSR.

[Rutkowski] The question of servicing seems to turn up again and again. Are you not perhaps exaggerating its importance?

[Ziaja] Absolutely not, since this servicing [by Metronex, in the USSR] provides employment to several hundred persons, Poles and citizens of the Soviet Union. In Moscow, for the last seven years, there is the Trade and Technology Center which provides training to users and potential customers as well as servicing of the equipment we provide and serves as a site for price negotiations and for the organization of exhibitions and symposiums. To maximally reduce response time to every user request, regardless of whether the warranty period of computer equipment expires or not, we have opened branches of the Center servicing outlets in Kiev, Leningrad, Dubna, Novosibirsk, Baku, and Lvov. In other more distant regions and those closed to foreigners, servicing is provided by Soviet citizens whom we had trained. This entire network operates efficiently, so that we are capable of repairing any computer within 48 hours, anywhere, even on Sakhalin and Chukotka. No other company operates such an extensive servicing network in the USSR.

[Rutkowski] But while Metronex has undoubted advantages over Western companies, it encounters local competition. The change in the political situation in Europe, the progressing disarmament process, results in many Soviet electronics enterprises producing for the military are converting to market production. You can hardly win the competition with them, can you?

[Ziaja] I believe that there is room for us both. However, the changing political conditions and the attendant liberalization of COCOM regulations serve to intensify technological ties with the West. This is reflected, besides, in the structure of our volume of sales. As recently as several years ago trade with the countries of Central and East Europe accounted for about 90 percent of our overall volume of sales, nowadays it has declined to 60-65 percent. Our cooperation with France looks particularly good. Thus, jointly with Mera-Blonie and the Sinfa company we formed a joint venture, Mefa, which undertook the manufacturing of very modern types of computer printers and their distribution in the West and East. We continue to cooperate with Alcatel-Camp in coproducing various kinds of electronic systems for the distribution and purchase of urban public transit tickets. It is not unlikely that this system will be installed in Warsaw buses and trolleys. Then also, GE-CGR, the French affiliate of General Electric, is cooperating with us in the manufacture of radiological equipment, e.g., cobalt bombs. Being desirous of remaining on Western markets after 1992, when customs barriers will be abolished within the EEC, we are developing a

network of partnerships with the participation of foreign capital. At present we have the already extremely efficient Unitronex in the United States, Metron in Great Britain, our own affiliate in the FRG, in Duesseldorf, and several subsequent, similar trading organizations.

[Rutkowski] Many companies are undertaking trade in the most varied merchandise in order to survive in the changing economic situation. Will Metronex do that, too?

[Ziaja] Our company specializes in high technology trade. The conditions of present-day trade are such that we enter into compensation agreements, barter deals, and the like. For example, in return for our computers we imported wine from Czechoslovakia, and we exported textiles to Yugoslavia. However, our diversification is subordinated to a paramount goal. It is not possible to be good at everything, or to act as a middleman for everything, and to pretend that one does great business.

CZECHOSLOVAKIA

Institute of History Director on Past, Present Scholarship

90CH0104A Prague PRACE (supplement) in Czech
21 Apr 90 p 8

[Interview with Frantisek Smahel by Michael Borovicka; place and date not given: "How To Steal History"—first two paragraphs are PRACE introduction]

[Text] That building is unquestionably a part of our history. The monastery Na Slovanech or Emauzy was founded in 1346 by Charles IV for the Benedictine monks of the Slovak religious order. The Gothic walls and vaults are witness to action-filled events, which did not bypass this place even during the last decades. In 1941 the Nazis expelled the Beuron Benedictines from here; in 1950 the same happened again, this time by the Communists. Today, an institution that is professionally connected with history—the Historical Institute of the CSAV [Czechoslovak Academy of Sciences]—resides in the rooms of this monument, reconstructed at great expense by the state.

Dr. Frantisek Smahel, Candidate for Doctor of Science, our foremost expert in the history of the Hussite revolution, former employee of the Historical Institute, which was abolished at the beginning of normalization because it published a Black Book on the August events, is sitting opposite me. At the beginning of this year he returned to the Institute and was appointed as its administrator. The sun draws speckled shadows on his table, the wind is playing with the curtain. The hope-filled year 1990 is beginning. A person almost does not want to return to the past and talk about the fact that science, which Cicero once described as the teacher of life, was used by the Communist regime exclusively as an instrument of ideology and propaganda.

[Smahel] You say they stole our history? The recent revolutionary overthrow demonstrated quite the opposite. The nation did not allow its history to be stolen, and it even spontaneously avowed what was allegedly stolen from it. The recent commemoration activities for the 140 Anniversary of T.G. Masaryk's birth also demonstrate this—with all the blatant mistakes in the attitude Czechs have toward history, something Professor Masaryk, in particular, would not particularly agree with, but to which he did not object too much for reasons of state. Too many speeches, unveiling of monuments, changing the names of schools and streets. This is a very quick and easy way to come to terms with history. And it seems that Czech society has already gained a certain amount of experience and acquired habits in this regard, so that adjusting to a new regime is not a problem for it.

[Borovicka] That does not sound very flattering.

[Smahel] But that's the way it is. One of my witty colleagues, appearing on Austrian television, answered

the question about what has remained of the Austro-Hungarian Empire in Czechoslovakia with the simple statement: A railroad station. He did not say "monuments," since one regime has always removed the monuments of the preceding regime in this country. On the other hand, Czech national consciousness has not only demonstrated resistance in Masaryk's case. It has always resisted extremes: not only excess glorification but also the negation of certain historic eras. Take the Hussite movement and Charles IV as an example. The post-February regime literally adopted and adapted the Hussite movement, the Hussite shield even appeared in the national coat of arms; on the other hand, Charles IV almost disappeared from the text books; however, in the subconscious of many people the impression remained that the Hussite movement also had a negative side and, on the contrary, Charles IV was a ruler with a well-deserved name as a great emperor and patron of the arts. So, what happened in 1978 on the 600th anniversary of his death? The exhibition, organized for this jubilee, almost became a national pilgrimage.

[Borovicka] Okay, so our nation didn't allow its history to be stolen, but what happened to Czech historiography? After all, the people's conception of historic events and truly scientific historiography are two different things.

[Smahel] Extreme attitudes, including mass emotions, are mainly negative from the point of view of critical historiography and a serious attitude to history. What they lack is critical analysis on the one hand, and, on the other hand, a consciousness of hidden values. After many decades of constant reevaluation of Czech history, we would need to be able finally to carry on a free discussion about its individual chapters. If we are now witnessing our nation's renewed interest in history and, to a considerable extent, a unified opinion about certain personalities and events, then, in my opinion, it is a totally temporary phenomenon. In modern democratic society a nation is a widely differentiated category. Amongst other things, this connected with religious beliefs. Protestants had, and still have, a different concept of Czech history than Catholics. Once society again starts to diverge—and this must inevitably happen—individual opinion trends will call on different eras or personalities in history, and history will again become a political subject . . .

[Borovicka] But surely it will be in a different sense than the Communist power, as a unipolitical system, understood it.

[Smahel] Again, all that will happen is that debates will take place about primary questions and figures in Czech history, about what things were like during the First Republic around the Anniversary of St. Wenceslaus, about Pekar's book on Zizka or the Battle of Lipan. And the opinions will vary greatly.

[Borovicka] The Communists considered the science of history to be one of the mainstays of their political and

ideological constructs. The interpretation of certain periods or problems was dictated. That is what really led to the disruption of continuity of normal historical studies. How could one characterize our historiography's debts?

[Smahel] It is not nearly enough to return to the late sixties. Immediately after February 1948 history was, to a large extent, forced into the role of being the servant of ideology. History was to justify what the politics of the ruling party demanded at that moment. To a large extent it was given the task that Catholic religious teaching had had during other periods of our history. The distance between us and the recent past is negligible. And therefore it is difficult for us to realize that the control of one ideological system over society is typical rather than exceptional for Czech history.

[Borovicka] But after the February putsch our historiography was broken up into several currents . . .

[Smahel] After 1948 one part of critical historiography was pushed underground, and some into emigration. But this became much more obvious after 1968 when, apart from philosophers and sociologists, historians were hardest hit. Some of the recognized experts, admittedly, remained in official institutions, but several tens of colleagues were able to devote themselves to their field only following an exhausting day at work. Finally, a large group of Czech historians chose the hard fate of the emigrant. One should mention that a number of them attained renown and an important status at recognized universities.

[Borovicka] The working conditions for individual groups were undoubtedly very different.

[Smahel] The samizdat historiography, in particular, deserves respect and quick reinstatement in the form of reprints because it only reached a small part of the public. Literature by emigrants spoke to us through radio broadcasts or books smuggled across the border. On the other hand, official historiography had at its disposal the CSAV Institutes, universities, specialized journals... in other words, it was a very unequal competition.

[Borovicka] Could you evaluate the results of the work of these three groups?

[Smahel] I think that is premature. One of the reasons is that none of these groups could extricate themselves from the situation in which they had been placed against their will. Official historiography was forced to respect the ideology of the CZCP [Czechoslovak Communist Party] and the whole East bloc, at least until the beginning of the Gorbachev era. Emigrant historiography was supported by foreign institutions partly so as to oppose this distortion of history. And within the framework of this ideological struggle sometimes even it strayed from a purely scientific foundation. In my opinion, despite the fact that it really had the worst conditions to work under, the samizdat group tried most to remain faithful to the principles of science.

[Borovicka] Unfortunately you had a lot of personal experience with this kind of work. As far as I know, during the seventies, you made a living as a tram driver. On what do you base your opinions?

[Smahel] I won't talk about my fate. Many of my colleagues were worse off. But, generally, one could say that being banished to the outskirts of science brought with it an unexpected measure of freedom. There was no need to adapt to anyone, no need to take anyone into consideration. On the other hand, the life of a scientist in an official institution was entangled in numerous visible and intangible threads which together formed an imaginary cocoon. One can, admittedly, move about in it, and if you don't admit it exists, you can feel a deceptive freedom of study. But you then experience a shock when you get out of it. Many workers in social sciences have now been confronted with this. And now they are amazed at the breadth of the horizon.

[Borovicka] I understand that very well, because journalists also found themselves in a similar situation. But I would like you to explain how one can do scientific research and be a tram driver at the same time.

[Smahel] A person who dedicates himself to science cannot consider the sacrifices. And since I expected to be forced to leave the institute, I obtained photocopies in time, as well as lists of sources, without which I could not have continued my work. Apart from that, we had the support of colleagues at home and abroad. It is time gratefully to remember that. There are a number of honorable scientists at the faculties and institutes who helped the historical "underground." Thanks to the solidarity abroad, we were often better supplied with inaccessible literature than the public libraries and the institutions.

[Borovicka] What, actually, are the conditions like now for scientific historiography?

[Smahel] In my opinion, they are not bad. Scientific work centers remained after the last regime, which some colleagues in the West envy. I am sure that here, too, historical research will develop on university campuses, but for the time being it would be inadvisable to limit the scientific basis of the Czechoslovak Academy of Sciences' social and scientific institutes. What is imperative is that these institutes stop being groups of semiprivate researchers paid by the state, and that they become real scientific places of work, on which the same high demands will be set, as on comparable places of work abroad. In my opinion, for the time being, it would be useful to keep this duality, in other words, both the universities and the academy institutes with the proviso that their activities will interact with each other and complement each other to the maximum extent possible. And I am sure that this also applies to subjects other than history.

[Borovicka] What is your opinion on the methodology in historical science? Until recently historical materialism was applied, but it seems to have disappeared from the

scene now. What I have in mind is a statement by the German economist and sociologist Werner Sombart, who describes the confused feelings of people who abandon Marxism: "When we get rid of useful formulas, which had been our guidelines in the midst of a complex life,... we have the feeling of drowning in a sea of facts, until we find new support, or until we learn to swim." Isn't this the problem facing many historians now?

[Smahel] With its historical materialism, Marxism not only provided methodological support, but also existential support. He who was unwilling to be directed by it, could not expect to be permitted to work in the field. But it would be premature to say that it has disappeared forever. One will have to continue to come to terms with a number of its conceptual elements, just as in Western historiography. Apart from that, one should not lose sight of another, purely Czech aspect. Most of our historians of the postwar generation came to terms with Marxism, or allowed themselves temporarily to be influenced by it. To a large extent, adherents of all three groups of post-August historiography matured under the same sources of world opinion. The new generation of historians should bring more fruitful dialogue and greater clashes of opinions.

[Borovicka] In conclusion, I will take the liberty of asking you a rather personal question. You were forced to leave the institute during the period of normalization. Don't you have a feeling of malicious joy now that you have returned after so many years?

[Smahel] This will sound as if I were at a loss for an answer. Running the Institute has removed me from scientific work, and apart from that, I feel a responsibility not only toward the institute, but toward the whole historical community. With the scientific council of the newly established institute, we are seeking exacting program objectives, so that we can take an honorable stand toward the cultural public. The Historical Institute is not the National Theater which society needs at all costs.

So, is it possible to steal history from a nation? It is the spring of 1990, it is full of optimism and under the impact of the events of the recent past, many people may think: No, we have already found ourselves historically, everything is fine. But that is not quite true. Constant discussion about the nation's history, the plurality of forms of historical consciousness of society, while retaining values which do not change every few minutes with the current lords in power, are necessary in a democratic society. The task of the historian from the former Benedictine monastery Na Slovanech will contribute to this normal state. It will be just as hard a task as were the rules of the Monastic Order of St. Benedict. However, it will also be a substantial step on our path into Europe.

Photo: the author and his archives.

Reinstitution of Religious Education in Schools Profiled

Benefits of Class Instruction

90EP0697A Czestochowa NIEDZIELA in Polish No 22,
3 Jun 90 pp 1, 5

[Article by Rev. Ireneusz Skubis: "The Priest in the School..."]

[Text] The Communists drove the teaching of religion from the schools. Today we must begin discussions on the return of religion to the schools with this statement. We must ask ourselves what the Communists expected from depriving schools of religion lessons. Undoubtedly, this had a multiplicity of meanings for them. First of all, it was compatible with the ideology of militant atheism which, assuming aspects of "scientific ideology," opposed everything connected with religion. It was also an occasion for removing priests from the teacher corps as well as limiting their influence over children and youth in school. The older teachers could have told us much about the positive educative influence of the prefects on youth as well as on the teachers.

We cannot speak of the return of religion to schools without considering the historical context which indicates the role of the Church in maintaining Polish tradition and Polish Christian culture at a time most difficult for the nation during the German annexation and occupation and after World War II during the Stalin persecutions. We must remember the many priests who, together with the insurgents, gave their lives for their country and, obviously, for the Church. The figure of the Catholic priest is part of the historical and national Polish landscape. This picture cannot be separated from today's discussion of the return of religion to the schools. We are sometimes surprised that many former oppositionists, whom the Church received into its catechetical centers when they could not speak openly and publicly elsewhere, seem today to be closing the school doors before priests. This arouses amazement and surprise especially among priests, although they try to see their good will.

Fortunately, the decision on the return of religion to the schools is a matter for the Polish people, and, of course, they are Catholic by a large margin. Polish Catholics are peaceful and, thank God, are in close contact with their priests. The Polish people have deep trust in their bishops and pastors.

The matter of returning priests to the schools involves many practical aspects. We must admit that it is not a simple matter since implementation is involved here. Over a long period, catechetical centers were introduced and organized at parishes. Some of these may compete with the schools. This would cost our faithful quite a bit of money and work.

Catechetical centers might be exploited for pastoral work with youth. These are also needed. Let us hope, at any

rate, that Catholic organizations will arise which we will have to accommodate. This will actually be the best help on the part of the parish for the newly arising organizations.

We cannot help but notice that at this time we have very many small parishes with only one priest. The faithful who observe the ministry of the priests know that priests function as administrators, directors, carpenters, custodians, engineers, electricians, teachers, providers, cooks, chauffeurs, etc. With such extended duties, it is not easy for priests to enter into the fixed schedules set by the schools. For this reason, we do not see that very many priests are thinking about when and to what degree they will be able to undertake teaching religion in the schools.

Therefore, it is not certain that the priests will return to the schools in a body and without exception. Quite likely, religion lessons in the schools will have to be organized gradually and always with great caution.

Most of all, we must ask whether the priest is needed in the Polish school today. There is no doubt that the priest is needed not only by the children and youth, but also by the teaching personnel. Today, when so much is being said about the problems of the teaching profession, the presence of the priest in the school would seem to be very beneficial. Perhaps the presence of a priest in the teachers' room would deepen and enrich the life of the teachers. Perhaps there would be more occasions for discussion of outlooks and philosophy. This would help the teachers and the priests. Both would be forced to seek confirming reading matter. In any case, this is very promising.

But most of all, the children and youth need the priest. How many young people are experiencing stress or even crises! No one will come forward to help a young man more quickly than a good prefect.

Therefore, the reproach, originating in the times of Stalin, that the teaching of religion in the school is conducive to conflict in the school is very surprising. At one time, such arguments were concocted in order to remove religion from the schools, but can they continue to be true today?

The Joint Commission of Government and Clergy will be responsible for determining the final formula with respect to return of religion to the schools, but one thing is important and that is that at present everything is becoming more normal. It seems just as normal that religion be taught in the school.

Personally, I believe that the return of religion to the schools is a great opportunity for the Catholic community. It is this community that decides in practice what community life will be. Many matters will be decided by the territorial self-governing bodies. In this situation, Polish Catholics must become ever more conscious of their responsibility for the form of community life in

Poland. They cannot be swayed by the so-called examples of the laicized West. We must continue to be ourselves and to arrange our life in our own way.

And yet another reflection seems pertinent today. We speak so much about returning to Europe. The Holy Father reminds us of the Christian roots of Europe. And this is very important for us. The Christian root of Europe is the proclamation of the teaching of Christ. The school is an important institution where we must be reminded of these roots. And no one can replace it in this. This is a normal phenomenon. When so much is being said today about the return to normalcy, then the return of religion to the schools is actually a sign of this return to normalcy.

Counterarguments Presented

90EP0697B Krakow TYGODNIK POWSZECHNY
in Polish No 24, 17 Jun 90 p 6

[Article by Leslaw Maleszka: "Three Arguments Against Teaching Religion in School"]

[Text] I would like to begin by recalling the obvious. It is generally known that 50 years of communism was a period of battle with the Catholic Church and discrimination against the religious feelings of the community. A persistent trace in the memory of the youngest Polish generation is the campaign to remove crosses from the schools, a campaign as absurd to the same degree as the arrogance and brutality with which it was conducted, characteristic of all actions of military state authorities. Therefore, I understand completely the emotions connected with the introduction of religion lessons in the schools.

Despite that, I am against it for three basic reasons.

First, the religious education of the community is not the task of state authorities. Religion is a matter of conscious selection and decision which the individual undertakes in his own conscience. The Church within the legal-organizational framework is a voluntary union of people believing in Christ and worshipping Him. The state, on the other hand, is, in one way or another, an obligatory organization of people living on common territory. They must be guided by generally accepted law and every citizen is required to obey the law. The basic question then is as follows: to what extent can the state machine exert compulsion? Here I believe that the state apparatus should not in any case encroach on individual conscience and conviction of outlook if these do not violate specific norms and regulations.

These assertions are not in the least areligious. On the contrary, religion is a matter somewhat too great and too serious to be entrusted to the care of the state administration, including departments of education and superintendence.

Introducing the Catholic religion into the schools will engender a postulate of equal rights in this sphere for all

other creeds in our country. This postulate is, however, technically not feasible for obvious reasons. Moreover, it was not discussed thus far, but there are compact groups of the Orthodox, Muslims, and Evangelicals in Poland. I emphasize, therefore, all citizens are equal before the law. Even optional instruction in Catholic religion in the state schools will obviously violate this principle. It might even result in that the several thousand Evangelicals, considering themselves to be loyal Poles thus far, will have an adequate reason to consider themselves a minority of a different category, which will be followed by the next phase of emigration.

Second, since it is obvious that a child's parents will decide about his attendance at religious instruction, the pupils will be divided into the "faithful" and the "non-believers" (or what is worse, a "cat religion"). Most of the children in an elementary school have no practical understanding of the principles of tolerance and pluralism of world view. Therefore, there will be many conflicts, insults, and aggressive acts in the classes, which will obviously impede the course of educational processes. Dreary stereotypes of the Catholic being a better Pole and a greater patriot will also be heard.

Third, I believe that religion in catechetical centers is a real opportunity for Catholicism in our country. In its present form, the school leaves much to be desired. This does not pertain only to the programs (which could, of course, be changed), but primarily to methodology, being the most conservative ballast of the educational system today. Speaking simply, school is boring, conformist, "school-teachery," limiting the development of the

child's personality, and the child quite frequently perceives it as a repressive institution, in short, inimical. If catechetical instruction were to be introduced into the lecture rooms, it would soon be permeated by fatal routine like the lectures in history or chemistry. And certainly religion cannot be taught in same way that a teacher is accustomed to "rasping" through a given body of knowledge. It is enough to remember that in the elementary school, the pupils are preparing for two sacraments (First Communion and Confirmation), which are milestones on the road of their future religious life. Preparing a child for the first confession of his life is truly something different from "revealing" to him unexpected verification in biology. Different also is the nature of the contact (or rather, the spiritual bond) between the pupil and the "master" from that between the pupil and the priest-catechist. Or at least, that bond should be different. Therefore, let us not make religion a routine lesson before which a young person will wonder whether it is better to get a bad mark or to play truant, although the teacher might drop the mark for conduct and call mother into school.

Am I then questioning the sense of creating religious schools, private or community? Nothing of the kind. Such schools exist in Poland, true they are small in number, but today there are no legal obstacles to the organization of more such schools. I hope that there will be an opportunity for an alternative to outright formalism and the mentor-administrator system of education. And perhaps future teachers will succeed in taking advantage of the experience of catechetical centers in which such a special "personalist" moment will be present in the contact between a pupil and a priest-teacher, a spiritual guardian and confidant.

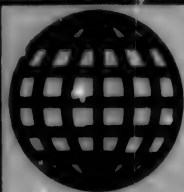
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GERMAN DEMOCRATIC REPUBLIC

Gysi Voices PDS Criticism of Capitalism

90GE0206A East Berlin NEUES DEUTSCHLAND
in German 28 Jun 90 p 6

[Speech by Gregor Gysi, PDS [Party of Democratic Socialism] chairman, at the "most recent" meeting of the party executive committee. "PDS Is Fundamentally Critical of Capitalism"]

[Text] At the most recent meeting of the party executive committee, Gregor Gysi dealt with questions of a necessary new party program. Since many readers evidenced interest in this speech, we are today complying with this wish and publish it.

We have reached—I believe—an interesting point in the discussion, and that is because we are beginning to sense that we are now confronting a task which in its gravity and depth cannot at all be compared to the renewal we had intended in December/January/February. And that, I believe, constitutes the difficulty of our position. At that time, our renewal tasks were focused on formulating opinions on the democratic shaping of an alternative to capitalism.

We have attempted to deal very critically with the past. We have attempted to say why the ideas of 1946 did not work out. We can go on disputing for a few more years whether there was a deformed socialism in the GDR or noncapitalism, a concept which I would prefer. It may get us a little further ahead, but it does not solve the problems we are facing.

Now We Get Capitalism as a Whole

Up to now we somehow started from the premise of what one can learn from these mistakes and wrong developments in order to build up something new here in the GDR. The issue of capitalism was also different. Our approach was this: This and that had not worked, and not in the other Eastern countries, either; we absolutely need a more efficient economy, that is, market economy elements. Then we also need much more democracy, we can also accept a healthy dose of bourgeois parliamentarianism, and then we complement it with grassroots democracy. Then we have to concentrate much harder on the environment, Third World problems, etc. That is to say, we thought selectively. We took what we had and considered what can be transferred from the experiences of other countries in order to make something sensible out of it.

In that phase, our criticism of capitalism could only be weak. And in that phase we came under suspicion of being purely social democratic. Because we said, this we like and that we could use. And this old SED [Socialist Unity Party of Germany] regime really could use a lot of new [ideas]. That is to say, that is a renewal over which we are basically in control; and those who have always had democratic longings controlled it particularly well.

They knew that the meaning of democracy also consists in being a disturbing factor.

But now we suddenly face an entirely different question. Now we are not getting just a little bit of selective capitalism of which we thought that with it, one can go in the direction of democratic socialism. Now we get pure capitalism, capitalism as a whole. And in such a way that nothing remains of what was striven for here for 40 years. At least it appears that nothing remains, except perhaps in the heads of people.

Now the whole thing is taking an entirely different direction. And now we must also renew ourselves in an entirely different direction, for it is no longer a matter of breaking the sole dominance of a party, or of new thinking on how to include others, or which newspapers we will give up. No. It now concerns [the fact] that we no longer have anything at all to distribute, nothing to give away. Today we must wrangle for a little piece of a newspaper.

All in all, this means: We need a new program and a new identity, an identity no longer in the sense of how the SED can renew itself, because the SED was a leading force since 1946. What it made of that is an entirely different question. But from the very beginning, we are not a leading force in this united Germany and will not become one even in the long term. And now we have to adopt a different attitude towards capitalism than we could have during the time when we thought about which of its positive experiences can be taken over for our system. That system no longer exists.

The Question of Differentiation From the SPD Rises Anew

And this naturally poses anew the question of differentiation from the SPD [Social Democratic Party]. Under a socialist sign, to make common cause with the SPD can naturally have decidedly positive elements. Its penchant for an efficient economy, its penchant for democracy—positive elements all—can only point a more radical wing in a truer direction. But the entire problem is different in the capitalist society, else we could simply ask to join them. Because social democracy has made its peace with capitalism, and in principle, but at least in a majority and from the leadership down; in any case, German social democracy. But we will not be able to make that peace. And if we did, we would truly become superfluous. We could only strengthen one wing of the SPD. In this regard, the concepts "left" and "right" play an important role.

They conceal thoughts and feelings about where and how society is to progress. And whether one does something in this regard, or not. Then that again entails coming to grips with history, because one must ask oneself why the first attempt of a noncapitalist society in Germany failed, and whether that is a confirmation of capitalism, or not.

And if I rightly understand some Greens in the FRG, they say what is decisive is not the social question but the ecological one, particularly since solving social questions can further endanger the environment. The starting point for solving ecological problems is what is there. And that is capitalism, so it becomes the starting point. All very simplified. But here, differentiation from the Greens becomes very clear, for we consider this ultimately an illusion, because in our opinion, ecological questions cannot be solved in principle without changing societal structures. True, one can establish new limits, build in new filters, but in our opinion ecological dependence on the Third World compels new societal structures and hence the solution of the social question. Greatest caution must be applied when extreme Rightists try to respond inhumanely to ecological questions, such as: Either mankind subordinates itself completely to the rest of nature, then it is perhaps bearable; or it does not do that, then the [human] species must be greatly decimated—the reasonable elite is permitted to remain. A dangerous position. Therefore, we must clarify immediately how we see the solution of ecological problems.

Ecological Issues Must Be Linked to Social Issues

We are facing further fundamental questions: Does progress mean in the future that we oppose industrial society? And if so, how? And if we oppose industrial society, does that mean that we oppose the solution of the social question? If so, we must also dissolve ourselves. Then we might as well go over to the Greens. That means, in my opinion, that our specific character consists in our linking the ecological issue with the social question. And yet, this also means opposition to the wrong developments of industrial society, but—and that is a noteworthy difference—the struggle against these wrong developments is not waged, for example, against unbridled growth, against exploitation of the Third World and everything connected with it, without also posing the social question and proposing solutions in every individual case. That results from our striving for a society in which freedom of the individual is the precondition for the freedom of all, freedom being understood also in a social sense, that is, in the sense of development of man. Away from false collectivism and toward the individual, but with social and ethical responsibility.

I believe that our program must start with these questions. Here we must become specific, and here we also must offer various solutions. And that can only be done by fundamental criticism of capitalism.

Moreover, there is also the political task of pointing out that capitalism in Germany in future may exhibit very unpleasant traits. The time is over when there existed the GDR corrective. Capitalism no longer needs to be more democratic and social than the GDR, because the GDR no longer exists, the entire East Bloc no longer exists. The chancellor does not even talk about the East Bloc any more. He just said at the meeting of Catholics, the

next 10 years must become the years of Europeans and not of the Japanese. This sentence is a key sentence, because it means that he, or the forces behind him, declares that the East is done with for them. That battle is no longer up for debate, including the Soviet Union. Now the capitalist competitor is again of interest. And that is Japan, which dominates many markets. But for German capital to penetrate there with real success, it needs Europe first. Therefore, the European unification concept held by the chancellor and the forces behind him is totally different from ours.

To them, a united Europe is one in which whoever represents the strongest economic power has the say. And that means that they expect in almost every regard a Europe dominated by Germany. A new superpower of Europe, with Germany at the head. The example of the GDR demonstrates how an entire country can be annexed through capital. And the chancellor has shown how the resistance of the French, the British and all others can be broken in the shortest possible time. And that's how it is to be when it comes to a political union of Europe.

Classless Society Remains the Most Humane Vision

We are not against the political union of Europe, of a Europe of states and peoples with equal rights. Many Europeans fear German dominance, but hardly anyone knows how it can be prevented. And they don't know it because capitalism functions. Capital rules, and the strongest capital rules the strongest. It is as simple as we learned it once upon a time. Meanwhile we no longer wanted to be aware of it, because what stirred us about this capitalism is that it had developed such efficiency and capability for democracy. At least for a while, one could see and hear on television Rudolf Bahro as an opponent of capitalism. But here, one could hardly hear a true Leftist now and again.

We should not permit the question whether we are communists or leftist social democrats. We would be in the position of a painter who had painted a picture with all his soul and skill and who is then to label its style. An attraction, a special trait of ours may consist in our refusal to be boxed in. The communist ideal of a classless society, in which the development, freedom and dignity of the individual is the precondition for the development, freedom and dignity of all, remains the most humane vision of the future. There is no better one, or at least none has been developed so far. In my opinion, no one must cast this ideal overboard. As an ideal, no one can take it away from us.

What is social democratic about us is that we strive for and take seriously reforms even under capitalist conditions. We fight for every democratic, ecological and social progress. We do not say, since we are not changing capitalism in principle with a reform, we reject it [the reform]. We consider this type of sectarianism to be inhumane. But our reform proposals will be more radical in this regard than social democratic ones. And we will

not stop with reforms because of our fundamental criticism of capitalism. We strive for new societal structures.

Who Today Is Still Interested in the Basic Treaty?

In my opinion, our starting point must be the global interests of mankind. It is appropriate to our conception and specific nature to see them in context. And we place no different emphasis on them. We don't say, ecology is so important that everything can be overlooked, or else, the social question is so important that ecology can be neglected; but rather, we put it in the necessary context. And for the reason that these issues can only be solved in context. Every attempt at an individual solution to these questions has failed so far. We are concerned with the roots of the problems. If the social structures of industrial society, of capitalist society are not overcome, no just order of the world market economy can develop, thus endangering mankind ecologically, i.e., existentially. And vice versa, we come to a credible criticism of existing conditions, a credible criticism of capitalism, only by presenting the connection between global issues. It is naturally not enough to say that we are anti-capitalist, we must demonstrate precisely where its treacheries lie. And it is quite clear to me that we are entering a society where it is not enough to simply describe the social differences.

We must present credibly where all this will lead. The existing capitalist structures entail that we will never truly rid ourselves of armaments; and armament is not only already killing today, but it is actually playing with fire. Because people are in charge of armament, and people do not function by reason alone. In other words, armament is always dangerous to life as long as it exists to such an extent. No treaty under international law does any good. Because by the example of the GDR we see how little international law is worth. After all, who is still interested today in the treaty on the basic principles of relations between the GDR and the FRG? That is to say, when actual conditions change, when the basic principles for a political compromise in a treaty under international law no longer exist, it can become a mere piece of paper. And beyond that, the capitalism of leading Western industrial countries leads to social injustice at home and in the relationship with the Third World, leads to shameless financial and economic extortion of the Third World. Thereby it also leads to ecological catastrophe. And it makes the solution of a further human problem more difficult, namely that of true equality of status of the sexes, i.e., overcoming the patriarchy and liberation of women.

We Need the Marxian Approach

So I think that we are actually forced to link the criticism of capitalist society to the criticism of industrial society, namely of the structures of industrial society, without lowering ourselves to the level of iconoclasts of machinery. And for that we still lack theoretical insights. We need the Marxian approach, particularly in analysis.

The question, Left or Right, is certainly also an emotion one with many people. But we should stand by this emotion. There is no reason to be only scientific. Not for a party, either. That is also one of those misjudgments. Membership in a party can also result from emotions, and these emotions can also find expression in concepts. What is special in Germany is that, outside of the GDR, for decades no larger movement or party has dared to call itself Left.

And I maintain, if we profess a fundamental criticism of capitalism, then we must also call ourselves Left, even if that is a somewhat vague concept, but it expresses something that is emotionally important. And that also strengthens the self-assurance of our members. If all are fighting to be in the center, then let us be unequivocally on the Left. That also excludes certain compromises. We shall not make our peace with capitalism. And I am not referring to craftsmen, tradespeople, and entrepreneurs of small and medium-size enterprises. But here it becomes clear that we as a party are taking up a position where we must not be disappointed if other members yet make their peace with this capitalist society and therefore leave us.

Our fundamental criticism of capitalism, which neither misjudges nor denies historical advantages, requires of us greater capability for conflict and less need for harmony. It is more honest, but not comfortable. And the way things happen to be, we will need a long historical breath. And until then, much detailed political work will have to be done, and until then, we will also be attacked from many sides. But at least they are taking us seriously. Our ideas are dangerous, that is why they don't want to have us. And that in turn we should take seriously.

I want to say something on the national question. The SED thesis of two nations was surely wrong. I want to briefly try to justify that: It was wrong to not even struggle for a socialist German nation. It was wrong, among other things, on 13, or rather 14 August 1961, to limit oneself [solely] to the GDR, even in thinking. And it was so wrong because it entailed a totally wrong policy—and incidentally, also an exaggerated power and security policy. If the SED leadership had even thought about wanting to achieve socialism in Germany, then it would have been clear from the beginning that policy must be shaped in a democratic and open fashion. But it was hardly bothered by the fact that our system was not attractive abroad and in the FRG. Securing domestic power was the most important thing, no matter whether socialism, or what was considered as such, held any attraction in the competition of systems.

But we are facing an entirely different situation since today it is not a matter of shaping a socialist German nation. We are facing the situation where the only real attempt to bring about noncapitalist conditions in Germany has failed. But this must lead neither to exaggerated pragmatism nor to resignation. We must not give up our program just because we cannot prevent certain developments.

In Our Opinion, Merger Is the Wrong Way

The idea—to immediately declare joining the FRG in order to prevent a deterioration of social conditions here and to secure more state constitutionality—would be a step with which we could not live historically. Moreover, I do not believe in the social success, that is to say I do not believe that social problems could actually be mitigated through joining; that, however, could naturally never be ascertained afterwards. That would become a purely theoretical dispute. The leftists in the FRG and the rest of Europe would not understand it. And we would strip ourselves of all chances to still fight for any conditions, such as a new constitution. We are not the ones who can break off this battle.

If the FRG Government wants, the processes here can be managed socially for a certain time, and if it doesn't, they are simply not manageable. In our opinion, merger is the wrong way, and unity is out of the question for us before international questions are not clarified, particularly the military status of the future Germany. But once the unified Germany is there, the national question becomes even more difficult for us. When the SPD tried to outdo the Right in this regard at the end of 1989/beginning of 1990, it failed. Rightists are simply better at it. We may as well accept that from the beginning. But then, we are better at antinationalism and internationalism, no Rightist manages that. Nonetheless, the question of the feeling of national identity is a psychological problem for [our] members. This requires solidarity amongst ourselves.

The PDS [Party of Democratic Socialism] Is Not the Core of the New German Left

Our attitude is important for left alliances. We are not the core of the new German Left or the yardstick, rather, we want to take our place in left movements. But we also don't have to declare ourselves marginal figures. Although it is psychologically understandable, it is wrong from the point of view of party and movement. After all, we are in this party because we assume finding right answers here, just as others are in other parties because they assume finding right answers there. That must be granted to every party and every movement, and also to us. One can put oneself into question with regard to whether one has found answers and whether one must search for new ones, but one cannot place oneself on the sidelines.

A word on the number of full-time coworkers which has to be reduced further. The comparison with parties in the FRG is dishonest, because they do not count their parliamentary staff. I do think that we will have to build down further, that we certainly have to think about new structures, and I feel the linking of party and movement is good. Of course, what must not result from it is that we combine the disadvantages of a party with the disadvantages of a movement, but we must try to pay attention so that we combine the advantages of a party with the advantages of a movement. And there will always be

disputes about that. And here we will also be allowed to experiment a little, else we won't find out about it. I have just read a proposal, for example, to make it possible for members to also organize themselves in interest groups and task forces in such a way that they pay their [membership] fees there and practically no longer work in the grassroots organization in order to avoid a double burden. That, of course, harbors a danger. The grassroots groups become emaciated. And it leads to organizational problems, even in collecting membership fees. That is why I think that every member should also be organized in a grassroots group. In future we must develop structures which truly activate grassroots groups, because policy must come from below.

If necessary, in all-German elections we must struggle to get above the five-percent hurdle. The political struggle must be carried out and used and would not be over even if it failed. We are looking for partners in alliance, also because we know how important a left alliance is for the political culture in an all-German parliament. And we have good chances for overcoming this undemocratic hurdle.

Let me say something else. In part we still behave as if we were responsible for the functioning of the state. That has something to do with our origin! But here more oppositional thinking is needed, particularly in the future united Germany.

And then it has been said here that we are not into the thinking and feeling of our members. That is exaggerated, as all such statements, but it is essentially true. That also has something to do with how we are tied into the People's Chamber and similar areas. The link via election campaigns is not enough. I believe we actually need a new information system which makes the connection between the grassroots and party leadership closer and, above all, also more effective, without turning into a permanent actionism.

On the question of our own guilt and how to deal with it. This is difficult for us because, among other things, "atonement work" is demanded of us by people who have no right to do so. If we talk about the degree of guilt, the SED cannot be compared to the other bloc parties. But if the SED was the culprit, they were accomplices. And that is why I must say, the moral attitude of people, who merge or go into coalition with accomplices without the latter having done even the least bit of "atonement work," toward us is dishonest. And FRG politicians have their share in the development of the GDR, and they have made their peace and their business deals with the GDR leadership. It is similar with professors in the People's Chamber who now act as if they had not lived and taught formerly, and actually in a very integrated manner.

Caution With Advice From False "Friends"

If I want to liquidate a party, criticism to be taken seriously is not possible. It is different with political confrontation, that can be carried out, but then one can't

give rules of conduct. It also would not be honest if I were to declare how a CDU [Christian Democratic Union] should look according to my taste; because then it would no longer be a CDU. So we should be careful with regard to advice from false "friends." They don't want us to be nicer, friendlier and more credible, because then we only become an even greater competitor. On the other hand, that does not change the fact that there is also criticism which is completely justified. But it comes above all from people who are truly interested in our becoming a force that finds acceptance, acceptance as broad as possible. All that does not mean that we do not have to deal with the past. However, its meaning cannot consist in trying to please those who want to liquidate us. That need not be done. We are doing it for ourselves.

Trusteeship Law Text Published

90GE0206B East Berlin NEUES DEUTSCHLAND
in German 29 Jun 90 p 10

[Text of the Law on Privatization and Reorganization of State-Owned Property (Trusteeship Law) passed by the People's Chamber on 17 Jun 90]

[Text] NEUES DEUTSCHLAND continues the printing of laws which will come into force as of 1 July 1990. Today the Law on Privatization and Reorganization of State-Owned Property (Trusteeship Law), which the People's Chamber passed on 17 June 1990.

With the intent:

- of reducing the state's entrepreneurial activity as quickly and as far as possible through privatization,
- of establishing the competitiveness of as many enterprises as possible, and thus securing jobs and creating new ones,
- of making available land for economic purposes,
- that, after stocktaking of state-owned property and its productivity as well as its priority use for structural adjustment of industry and restructuring of the national budget, at a later time savers can be granted a documented right to shares in state-owned property for the amount reduced in the currency conversion on 2 July 1990,

the following law is decreed:

Article 1

Property Transfer

- (1) State-owned property is to be privatized.

In certain cases determined by law, state-owned property can also be transferred to communities, cities, kreises, and laender as well as public authorities as their property.

State-owned property which serves municipal tasks and municipal services is to be transferred by law to the communities and cities.

- (2) The Council of Ministers is responsible for the privatization and reorganization of state-owned property and must render account to the People's Chamber.

- (3) The Council of Ministers entrusts the institutional trustee with implementation of the appropriate measures.

- (4) Under the provisions of this law, the institutional trustee becomes owner of the shares of joint stock companies, which were created or have already been created by the time this law comes into force, through conversion of state-owned combines, enterprises, institutions and other legally autonomous economic units (to be called economic units hereafter) entered in the register of state-owned industry.

- (5) The provisions of this Article are not applied to state-owned property that is legally held by

—the state,

—the German Postal Service with its general management, the German Railroad [Deutsche Reichsbahn], the administration of waterways, the administration of the public highway grid and other state enterprises,

—enterprises or institutions subordinate to communities, cities, kreises and laender,

—an economic unit for which a liquidation notice was entered in the register of state-owned property prior to this law coming into force.

- (6) For the privatization and reorganization of state-owned property in agriculture and forestry, the trusteeship must be shaped in such a way that the economic, ecological, structural, and ownership specifics of this sector are taken into account.

Article 2

Position and Tasks of the Institutional Trustee

- (1) The institutional trustee is a public law institution. It serves the privatization and use of state-owned property according to the principles of a social market economy.

- (2) The institutional trustee is subject to supervision by the prime minister.

- (3) The by-laws of the institutional trustee are to be submitted by the prime minister to the People's Chamber for confirmation.

- (4) The institutional trustee's rules of procedure require confirmation by the Council of Ministers.

- (5) The provisions under Article 96, paragraphs 2 and 3 of the republic's budget regulations concerning the administration of enterprises with the juridical form of a

public law corporate body directly under the republic are to be applied to the institutional trustee.

(6) The institutional trustee is to promote the structural adjustment of industry to the requirements of the market, in particular by influencing the development of enterprises capable of restructuring into competitive enterprises, and their privatization. It works toward forming marketable enterprises through purposeful deconcentration of enterprise structures and establishing an efficient economic structure.

(7) In anticipation of future privatization proceeds, for restructuring purposes the institutional trustee can take out loans and issue bonds within the framework, and according to the proviso, of Article 27 of the state treaty concluded between the FRG and the GDR.

(8) The institutional trustee has its seat in Berlin.

Article 3

Board of Directors of the Institutional Trustee

(1) The institutional trustee is managed by a board of directors and is represented in legal matters by members of the board.

(2) The board of directors consists of the president of the institutional trustee and at least four other members of the board. The president and board members are appointed and recalled by the administrative board.

(3) The board of directors must report to the Council of Ministers. It has to publish reports on the progress of privatization at time intervals to be established by the Council of Ministers.

Article 4

Administrative Board

(1) The administrative board has to supervise and support the business activity of the board of directors. For this purpose it regularly accepts reports by the board of directors. The president of the board of directors must keep the chairman of the administrative board informed about all important business matters. The administrative board advises the board of directors of the institutional trustee on all basic issues, particularly privatization and use of state-owned property according to the principles of the social market economy, and on all other tasks under Article 2. It must be determined in the bylaws of the institutional trustee which business matters require approval by the administrative board.

(2) The administrative board consists of a chairman and 16 members.

The chairman and seven other members are appointed by the Council of Ministers.

The People's Chamber elects two members from its midst, one member nominated by the opposition. Seven more members are appointed by the People's Chamber

upon nomination by the prime minister. Above all such persons are to be appointed to the administrative board who possess, in particular, great expertise and extensive experience in the management and restructuring of enterprises and in activity in the capital market.

Article 5

Proceeds and Their Use

(1) The proceeds of the institutional trustee are to be used primarily for the structural adjustment of enterprises—also within the framework of horizontal fiscal adjustment—and secondarily for contributions to the national budget and to cover current expenses of the institutional trustee. The proceeds are used in accordance with the Council of Ministers.

(2) After stocktaking of the state-owned property and its profit capability, and after its priority use for the structural adjustment of industry and restructuring of the national budget, it is provided if possible that at a later date, savers can be granted a documented right to shares in the state-owned property for the amount reduced in the 2:1 conversion of GDR marks to West German marks.

Article 6

Annual Statement of Accounts and Situation Report

The institutional trustee's board of directors must prepare an annual statement of accounts and a situation report. The regulations for capital companies apply to their contents, their examination by independent auditors, and their publication. The annual statement of accounts and the situation report are to be submitted to the administrative board for confirmation.

Article 7

Trust Company

(1) The institutional trustee implements its tasks in a decentralized organizational structure through trust companies which, by number and purpose together with the tasks of the institutional trustee, secure the privatization and use of state-owned property according to entrepreneurial principles.

(2) The institutional trustee is instructed to found trust companies, immediately or at the latest within two months of this law coming into force, by way of founders' cash subscriptions. The shares of the trust companies are non-transferable. The bylaws of the trust companies must be confirmed by the institutional trustee's administrative board.

(3) By decree of the Council of Ministers, the shares in joint stock companies and companies with limited liability owned by the institutional trustee are transferred

to the trust companies. The institutional trustee's administrative board assigns the shares to be held by them to the individual trust companies according to feasibility aspects.

Article 8

Duties of Trust Companies

(1) In consultation with management consulting and marketing companies as well as banks and other suitable enterprises, the trust companies must ensure that in their sector the following tasks are solved managerially and as decentralized as possible:

- Privatization through the sale of business or property shares,
- Securing the efficiency and competitiveness of the enterprises,
- Closure, and utilization of the property of enterprises or parts of enterprises that cannot be restructured.

(2) The trust companies must report to the institutional trustee on the progress of privatization.

Article 9

(1) To ensure efficiency and competitiveness, the trust companies must create such structures in the enterprise of their sector which correspond to market conditions and the goal settings of a social market economy.

(2) The trust companies must also make sure that the enterprises of their sector are placed as quickly as possible in a position so that they can finance themselves through money and capital markets.

(3) In appropriate cases, external consultants must be brought in for improving the profit situation of enterprises and for restructuring programs.

(4) To strengthen the enterprises of their sector, particularly in connection with restructuring measures, the trust companies can use all market possibilities, for instance, take up loans or grant guarantees.

Article 10

Organs of the Trust Companies

(1) The supervisory board members, who represent the institutional trustee in the trust company, are appointed by the institutional trustee's board of directors. Article 4, paragraph 2 applies to them correspondingly.

(2) For employees' representatives on the supervisory boards of the trust companies, the regulations of the law on employees' codetermination are suspended until 31 March 1991 with regard to the election procedure for employees' representatives, in accordance with the provision of the law on putting into operation FRG legal provisions in the GDR. In its place, the trade unions represented in the joint stock companies in which the

trust companies hold the shares, jointly exercise the right of nominating employees' representatives. They can also be represented by proxy.

(3) The members of the board of directors of trust companies are to be experienced in the management of enterprises, particularly in the restructuring and selling of business interests.

Conversion of Economic Units Into Joint Stock Companies

Article 11

(1) The economic units mentioned in Article 1, paragraph 4, which have not yet been converted into joint stock companies by 1 July 1990, are being converted into joint stock companies according to the following regulations. State-owned combines are converted into stock corporations, combine enterprises and other economic units into joint stock companies, preferably into companies with limited liability [GmbH] (hereafter called companies with limited liability).

(2) As of 1 July 1990, the economic units listed in paragraph 1 are stock corporations or companies with limited liability. The conversion at the same time effects the transfer of property from the funds ownership of the prior economic unit and the land held in legal trust to the property of the joint stock company.

(3) According to paragraph 1, not subject to conversion are:

- economic units for which a liquidation notice was entered in the register of state-owned industry prior to this law coming into force,
- the German Postal Service with its general management, the German Railroad, the administration of waterways, the administration of the public highway grid and other state enterprises,
- enterprises or institutions subordinate to communities, cities, kreise, and laender,
- foreign trade enterprises in liquidation which have to complete claims and obligations in Western currencies, according to annex 1, Article 8, paragraph 4, line 1, of the treaty on the creation of a currency, economic and social union between the GDR and the FRG,
- state-owned agricultural estates and state forestry enterprises.

Article 12

(1) The trust companies become owners of the shares of the stock corporations of their sector formed out of the combines, as well as the shares of the companies with limited liability which were formed from legally independent economic units, or of those which have made effective declarations on leaving the combines by the time this law comes into force.

(2) The stock corporations formed out of combines become owners of the shares of companies with limited liability which had been subordinate to the combines before 1 July 1990.

(3) A stock corporation in the meaning of paragraph 2 must offer its shares in a company with limited liability to the appropriate trust company for reasonable recompense, if the management of the company with limited liability demands it.

Article 13

The conversion of an economic unit to a joint stock company must ex officio be entered into the register where this economic unit had been entered heretofore, with reference being made to this law.

Article 14

The name of the joint stock company formed according to Article 11, paragraph 2, must contain the designation "stock corporation being set up" or "company with limited liability."

Article 15

(1) The joint stock company must ex officio be entered in the Commercial Register, with reference being made to this law.

(2) To be entered in the Commercial Register, the joint stock company must submit to the registry court, by 16 July at the latest:

1. Name of the previous economic unit;
2. Name and seat of the company;
3. Business object of the enterprise;

4. Name of every member of the provisional board of directors or of the provisional business managers.

(3) The institutional trustee and the appropriate trust company must be informed at the same time of the data under paragraph 2. In addition, by 31 July 1990 they must be given a list of the assets of the joint stock company at the time of conversion and a provisional concept for business activity. In case of property items whose amount of stock is subject to change at short notice, a physical stocktaking must be carried out by 1 July 1990.

(4) Until the ordinary capital or capital stock are determined in the articles of association or in the bylaws, the ordinary capital of a company with limited liability is DM50,000, the capital stock of a stock corporation is DM100,000.

Article 16

(1) By 31 July 1990, the institutional trustee appoints persons as provisional members of the board of directors or as provisional business managers. Prior to their

appointment, the tasks of the board of directors or of management are to be carried out by the general directors or works managers.

(2) The provisions of corporation law or the law on companies with limited liability, with regard to the position and responsibility of the members of the board of directors or business managers, are to be applied to the persons mentioned under paragraph 1. The institutional trustee is liable for damages resulting from dereliction of duty by these persons in their stead. Restitution claims of the institutional trustee against these persons on the basis of other legal provisions are not affected.

Article 17

(1) Until final determination of the by-laws of a stock corporation formed according to Article 11, paragraph 2, its shares are in the name of their owner. The face value of the shares is DM50.

(2) Until the final conclusion of the articles of association of a company with limited liability formed according to Article 11, paragraph 2, the capital contribution is DM1,000.

Article 18

The fiscal year of the joint stock companies formed according to Article 11, paragraph 2, is the calendar year.

Article 19

Immediately after entry of the stock corporation being set up or of the company with limited liability being set up in the Commercial Register, its provisional management must initiate the legally required measures for the formation of a stock corporation or of a company with limited liability.

Article 20

(1) By 31 October 1990, the joint stock companies must submit to the institutional trustee:

1. The draft of articles of association or by-laws in accordance with the legal regulations, with figures of the ordinary capital or capital stock, and a possibly intended or needed capital increase;

2. Final balance sheet of the economic unit and opening balance sheet on the day of conversion, as well as a list of all rights and duties, claims and obligations, arrangements made with banks, and a regulation on succession in title in case of the intended formation of further companies. The balance sheets are to be examined by the Auditor's Office or auditors or auditing companies;

3. Formation report and situation report, which will also present the course of business and the situation of the economic unit during the last business year;

4. Data on the joint stock companies' area of land.

(2) For economic units which have submitted an orderly application for conversion and the necessary documentation to the institutional trustee before this law coming into force, these requirements under paragraph 1 are deemed fulfilled.

(3) After 31 October 1990, the institutional trustee in conjunction with the joint stock companies can conclude the articles of association or approve the bylaws. After this date, the institutional trustee can order auditors or auditing firms to prepare the formation report and the opening balance sheet at the expense of the joint stock company.

Article 21

(1) The provisional management body must file the implementation of the measures under Article 19 with the Commercial Register. The registration must also include:

1. The articles of association or bylaws;
2. The opening balance sheet;
3. The formation report;
4. The audit report.

(2) In a case of Article 20, paragraph 3, the institutional trustee arranges for the registration.

(3) If the legal preconditions for entry of the joint stock companies have been met, the registry court cancels the notation "being set up" in the name of the joint stock company.

Article 22

Joint stock companies formed under Article 11, paragraph 2, are dissolved as of 30 June 1990, if the measures required under Articles 19 and 21 have not been implemented by that date.

Article 23

Article 11, paragraph 2, and Article 15, paragraph 3 also apply to conversions that were carried out on the basis of the ordinance of 1 March 1990 on the conversion of state-owned combines, enterprises and institutions to joint stock companies (GBL I No. 14, p. 107).

Article 24

(1) Provisions of this law do not affect possible claims for restitution or compensation due to illegal expropriation or interventions similar to expropriation.

(2) This law comes into force on 1 July 1990.

(3) At the same time, the following are rescinded:

—Resolution of 1 March 1990 on the formation of the Institution for Trusteeship Administration of State-Owned Property (institutional trustee) (GBL I No. 14, p. 107)

—Resolution by the Council of Ministers of 15 March 1990 Statute of the Institution for Trusteeship Administration of State-Owned Property (institutional trustee) (GBL I No. 18, p. 167).

(4) The implementing order to this law is issued by the Council of Ministers.

POLAND

Information Gaps Impede Society's, Parliament's Ability To Decide

90EP0698A Warsaw PRZEGLAD TYGODNIOWY
in Polish No 25, 24 Jun 90 p 6

[Article by Dariusz Teresinski: "Quasi-crazy: Who Does Contemporary Polish Democracy Pass By?"]

[Text] Parliament is not just the place where laws are made. Democracy is accomplished in parliament. Representatives of particular political forces implement their programs, and whether or not they sit on the bench the next term depends on how society evaluates their programs. Arrangements which make it possible for the voters to evaluate those elected and decide whether they should be eventually reelected are more important than the shape of legislation which is written. Bad legislation may be changed relatively quickly, and this very process is underway. On the other hand, a period of time expressed in many terms is necessary for this mechanism to become operational. The quality of political programs from the point of view of their suitability for social development and compliance with the views of society (these categories are not always identical in all cases) is verified at the time of elections. However, this always means the next elections.

The existence of distinct political forces which have perceptibly different programs is a premise for democracy. What use are parties, associations, and clubs if information on their intentions may only be obtained virtually at the time one joins them? The issue of access to the mass media is a technical problem; it is more essential whether or not political forces represent something apart from the number and views of their members, and whether they have something to say that may be of interest to potential voters.

In the coming elections, we will elect a pig in a poke rather than a democratic representation of the people! Moving up parliamentary elections in an environment lacking alternative political programs is a waste of time rather than drawing closer to democracy. Representatives of nonparliamentary groups seek to eliminate the overrepresentation of political forces which no longer exist, and this is hardly surprising. However, the goal of elections is not to do justice to the people who have fought for democracy but to give the general populace an opportunity to exercise power.

The degree of inferiority of a democracy depends not only on whether there is a choice, but also on the readiness of the electorate, that is, their genuine knowledge of matters on which they are to make decisions. This knowledge is not provided by the school, the church, or family tradition. Therefore, decisions made at the ballot boxes, be they in the fall, in the spring, or in three years, will be made on the basis of information on the 10th term of the Sejm and the Senate. If the voters manage to identify correctly the political views of the current members of parliament, the mechanism will work.

The sooner the elections are held the more the parliamentary education of the electorate will hinge on television broadcasts of the sessions. After all, a power does not exist which could effect within several months the emergence of powerful political parties and the development of programs by their elite, which could cause the average citizen to deliberately give his vote to a particular party in preference to others.

The political landscape of Poland is shaped mainly by actual or imaginary divisions in the OKP [Citizens Parliamentary Club]. The only real opportunity for the liberals, socialists, and Christian democrats to secure credentials in the next elections is to succeed in "standing out" during plenary debates.

However, how are we to learn whether a given deputy is a liberal, a socialist, or a Christian democrat? By listening to endless broadcasts of the plenary debate? After all, we cannot do it by reading the Sejm and Senate Diary because it does not exist, or by learning who voted which way on specific issues because this is not recorded (at issue is where specific deputies stand on specific issues).

If we have to believe our deputies because they are ours, and cannot check whether they are keeping their promises, then why should we vote for them once again? It would be better to leave them in the parliament for good (and if a seat is vacated, lots may be drawn to fill it).

Responding to the question "Who does contemporary Polish democracy pass by?" we should say: Firstly, the citizens, that is, the electorate, by failing to inform them how their representatives vote. Secondly? Let us look at it from the other side.

The division of powers into executive and legislative generally involves independent power centers making joint decisions on the format of legal arrangements in the state. There was a time when independence was based on gold and regiments of mercenaries; at present, it is based on access to information. The independence of legislative power from executive power and the other way around occurs when they have apparatuses of the same standard for collecting and processing information (for example, the parliament does not have its own center for the study of public opinion; the two largest centers report to the Council of Ministers—the CBOS [Public Opinion Research Center] directly, and the OBOP [Center for

Research on Public Opinion] indirectly as an agency of the Radiokomitet [Polish Radio and TV]).

The deputies frequently are not able to be partners for discussions with the representatives of the government. This is not at all due to the brilliance of all government proposals or the laziness of deputies, but rather to the lack of an information infrastructure which would make possible in-depth familiarization with drafts (within the actually available time). The oversight functions of the parliament will remain merely a pleasant-sounding phrase until this condition is met.

Apart from synthetic data on society and the economy (also from a source independent of the government), the parliamentarians need to read the press systematically in order to make decisions. Due to the well-known difficulties with newsprint and information policy, there is no newspaper in Poland which offers competent and exhaustive information on essential events in the country and the world (and is also published in the morning, in the evening, and on Sunday, plus extra supplements in case of extraordinary events). A complete information service may be collated by watching two TV newscasts, reading between two and four dailies and at least four weeklies (a little bit of Radio Free Europe, BBC, and CNN would be nice). This much is needed to paint a general picture; meanwhile, there are also local periodicals (after all, deputies represent specific regions) and trade publications. It is hard to imagine that members of the economic and budgetary commission do not read, for example, GAZETA BANKOWA.

After this mass of information is absorbed, just several hours will be left to sleep. What about Sejm publications, expert reviews, laws and decrees associated with a given issue, what about meeting the constituents, the press, foreign delegations? What about trips inside the country and abroad (to say nothing of the session of the chamber and the commissions)?

With a view to meeting all of these requirements, the deputies and senators should be allocated four spare pairs of eyes, two doubles, and three days above the norm which astronomical observations suggest—at least within the framework of the current organization of work. It would be good to consider the mode of operations of the government as a whole as well as its individual members, because facilities of this type are not in the cards ("our society will take a dim view of still new privileges for those elected").

The current Polish democracy passes by not only the electorate but also the deputies and senators because it does not guarantee them access to the information necessary for making decisions, and makes productive work impossible, getting them stuck in organizational chaos.

The organization of work of the parliament and the technical aspects of the votes of deputies and senators as a matter of public record may only be discussed after

the parliament expresses its political will to change the current condition. Offering specific arrangements in advance is absolutely pointless, all the more so because these are not issues which nobody knows about, since there are a great number of parliaments in the world and most of them are not constrained by procedural issues.

Wujec on Elections, Parliamentary Clubs, Citizens Committees

90EP0685A Warsaw POLITYKA in Polish No 24,
16 Jun 90 p 5

[Interview with Sejm Deputy Henryk Wujec, secretary of Citizens Committee, by Anna Matalowska; two-part interview, first part granted on 1 June, date of second part not given; place not given: "On the Chessboard"]

[Text] [Matalowska] Our conversation took place in two sessions. This must be noted because at this time the facts have been revealed about a subject on which all of Poland is speculating—Walesa's move with regard to you. We met for the first time after the elections, hence the question about the turnout at the elections—there is no hiding the fact the voter turnout was low.

[Wujec] For the most part, the self-government elections have a lower status than the parliamentary elections. This is particularly the case in Poland and in the countries of our former camp, where the people's councils have not been taken seriously for decades. People themselves must become convinced that the gmina councils really do have great powers and that owing to this they will be able to make practical decisions about the everyday life of residents. For beyond certain judicial or police powers which remain in the hands of central institutions, the rest belong to the self-governments. They will administer finances, they will become the proprietors of communal property, and when they solidify, they will make decisions about all administrative matters...

There are those who generally doubt whether the elections have altered anything—the commune had it bad and things are no different now, so it was just a waste of time. Many people are disappointed, no longer believing that something can be improved here; they expected rapid changes and nothing has improved. Overall, however, the Solidarity electorate is not disappointed; a large percentage of those who attended the elections voted for citizens committees. Thus, there is still some sort of attachment to this movement.

[Matalowska] Various interpretations of the low election turnout have been offered: Solidarity's interpretation that people do not feel competent enough; the interpretation that they do not wish to interfere with "our government" by acting in these self-governments; the values system has been overturned for people because they have been persuaded that what was black is white and vice versa, said the SdRP [Social Democracy of the Polish Republic] secretary. Finally, there is the interpretation that people do not see the sense of participating,

maintained by the KPN [Confederation for an Independent Poland], recognizing that as a result of the loss of faith by one-third of the electorate it gained a bridgehead. There has also arisen the opinion that people were disoriented, which caused confusion in the Solidarity political camp.

[Wujec] The decline of support was predictable. During the course of the electoral campaign, it was not assumed in citizens committees that they would have to have a 100-percent victory—this would be absurd. These elections were not a plebiscite, a declaration for or against Solidarity; this time they were rather a search for people, for good candidates. Other candidates presented themselves for election and some of these were chosen. That is very good! The experiences of our new parliament elected last year already show that political life at its various levels works effectively when the opposition is in operation. The new parties that wanted to be made known before the elections had their air time on radio and television. But it turned out that in general they did not offer anything concrete to the gmina voters, and very likely that is why they lost. Some observers of the television electoral campaign held that we are being threatened by anarchy, since more than 100 parties and groups came out for the elections. In my opinion, this was not exactly a proof of anarchy; we must all become accustomed to a diversity of views.

[Matalowska] When I spoke of the confusion preceding the elections I had in mind the divisions which appeared in Solidarity and in the OKP [Citizens Parliamentary Club].

[Wujec] The divisions within Solidarity undoubtedly had a negative impact on the campaign and on the election turnout. An example of this is Lodz, where there was a clear division into the Lodz Citizens Understanding [LPO], supported by Andrzej Slowik, and the Voivodship Citizens Committee with Marek Edelman. The LPO won, but the turnout was the poorest in the country.

Many politicians, including Lech Walesa, were convinced that it was these very divisions, the revitalization of political life in Poland, that would influence increased social activism and the election turnout, but that did not happen. To return to the Lodz example, perhaps the competition there was too stiff, perhaps the voters thought that since the candidates and the parties are fighting so much among themselves it was better not to get involved. The establishment of the Center Accord also caused some confusion—the self-government elections had not yet taken place and there was already talk about presidential elections and speculation about parliamentary elections.

[Matalowska] How would you define the political landscape following the elections?

[Wujec] One thing became clear: if you listened to the radio, watched television or read the newspapers before the elections, you might have thought that a great many

people were opposed to the government's policy; many contended that practically nothing had been successful, but ultimately it turned out that such wholesale public negation was certainly a sham. People did not support candidates who voiced such opinions. The KPN waged a major propaganda campaign, and gained 0.1 percent of the mandates. The same thing happened in the case of other groups: the right practically did not raise its head—it also gained only 0.1 percent of mandates, while, on the other hand, the SdRP gained about 0.2 percent. The aggressive, vocal parties did not win support; the Union for Real Politics, for example, obtained 0.01 percent of all mandates. Strictly speaking, the citizens committee movement continues to be the only significant force: the percentage of mandates it acquired is twofold higher than the percentage of those announcing their candidacy.

[Matalowska] Have the election results been analyzed in the Citizens Committee and in the OKP?

[Wujec] Preliminarily. It is evident, however, that generally apathy and passivity reign. The only cure for them is involvement in self-government activities in the gmina and the voivodship by the various citizens who have stood on the sidelines until now. Only when people see that they have a real impact on decisionmaking regarding issues of importance for society will a breakthrough become possible. Nonetheless, I do hope that the support gained by citizens committee for their programs can lead to an increase in civic activism. We can expect committee members, insisting on the implementation of these programs, to force through changes, to cause a change in the old cadre. In the end, it is self-government which will initiate a grassroots democratic revolution which will encompass the majority of citizens.

[Matalowska] But is there not the interpretation that the results of these elections signal the need to step up parliamentary elections? This is in line with the idea that if feelings are cooling, certain events must be speeded up.

[Wujec] At this time, the success of the government's program is a basic issue. If we were to begin another electoral campaign, it would be catastrophic for that program. If we depended only on winning, then we should hold parliamentary elections right now, when the electoral machine is still in motion, when the social consequences of the process of opening up the economy to the free-market system are not yet so severe as they may be by next spring, for example. But that would be irresponsible. The most important thing for Poland now is the building of the framework of the new economic system (which will last at least a year) and not another electoral success for the citizens movement. Parliamentary and presidential elections should be held in the spring. I remind you that this was the date set by the Second Solidarity Congress resolution.

[Matalowska] And what is happening in the OKP?

[Wujec] Before the self-government elections, some people began to "stamp their feet"—they already had the future parliamentary elections in mind. The Center Accord which I mentioned earlier arose, for example, in reality from outside the OKP, but with the participation of deputies and senators.

For a long time the OKP has been divided into groups: the Solidarity PSL [Polish Peasant Party] with Jozef Slisz; the section for the defense of employee interests; the agricultural section; and the group of liberals. Such division is in accordance with the operating philosophy of the OKP and its statute. It reflects the internal diversity of the OKP and does not threaten its unity. Recently, a group of Christian democrats was formed. The near future will tell what place it will have in the OKP.

[Matalowska] And do you not think that such splintering weakens the work of the OKP?

[Wujec] From the viewpoint of the OKP's effectiveness and its support for government initiatives it would be better if we could preserve a certain discipline, which is not always the case. Even if the majority of OKP members are of the opinion that we should hold a given position, this is treated merely as a recommendation which does not oblige the deputies during the Sejm debate. If, given the present diversity of the OKP, there are sometimes problems gaining firm support for a government option (keep in mind that at present we constitute less than 38 percent of all deputies), then if OKP members were divided, such support would generally become problematical.

[Matalowska] Have there been examples of this?

[Wujec] Yes, the Agricultural Market Agency is such an example. A major attack against it was launched by the PSL, and it was difficult to gain support for it within the OKP; the draft law had to be changed. The same was true for the law on political parties. A compromise solution turned out to be necessary, and it was a very ineffectual one at that. It also happens sometimes that the government depends on quick action and if we discuss things too long, time works to the disadvantage of the proposed solutions.

[Matalowska] Since the Sejm is like a mosaic, the variant of a weak parliament/strong president is a real one.

[Wujec] Such a danger does not exist today. I understand that you are asking whether a portion of our citizenry would not prefer the variant of a strong presidency. Certainly there are those who, already now, would like to have a "strong" president to subdue this "mess." I do not think, however, that this constitutes the majority. We have had enough of strong-arm tactics in recent times. I presume that as a result of the future elections, a dominant group will emerge in the Sejm out of the ranks of the citizens movement. We may assume that alongside it a strong minority will be in operation. This will

become an indispensable element of criticism, but without conducting its activity in order to destabilize the situation...

[Matalowska] And if the elections are held in the fall, what may be the alternative to the Solidarity government?

[Wujec] Since June 1989, popular support for the Solidarity camp has declined (which was to be expected since it is forming its own government). At the same time, as I have already noted, other political groups have not made a significant mark on the public scene. But you must also remember that various groups competing with one another, generally not yet openly, arose during the last election either under the Solidarity banner or with Solidarity origins. During the parliamentary elections, we shall certainly have to choose among the various groups which actually emanate from Solidarity, but openly express their distinctness.

[Matalowska] But are there attempts to destroy the citizens committees because one approach already exists?

[Wujec] I do not think it is a question of such attempts. The pulse of political life in Poland after the elections has risen significantly. It would be strange if the strength which resides in the citizens movements did not draw politicians. Moreover, I am of the opinion that whether they like it or not, the citizens committees will have to become political. I think that we are entering a phase which will force them to define themselves and become sovereign.

[Matalowska] We conducted the first part of this interview on Friday, 1 June, and 2 hours later you received a fax from Lech Walesa in which he thanked you for performing the function of citizens committee secretary. What happened next?

[Wujec] For the present we are exchanging correspondence and press polemics. The issue will be discussed at a 24 June committee meeting and it will surely be resolved at that meeting.

[Matalowska] Did you expect such a move from Gdansk?

[Wujec] No, I did not expect that move.

[Matalowska] Thank you for the interview.

Influence of Christian Thought on Politics Viewed
90EP0689A Gdansk GWIAZDA MORZA in Polish
No 10, 20-27 May 90 p 10

[Article by Grzegorz Grzelak: "Christians and Politics: Opportunities and Threats"]

[Text] Poles are beginning to separate themselves into various political orientations. This still pertains to a greater extent to the intellectual elite rather than to

broader social spheres. The process of the crystallization of these orientations is moving relentlessly forward. This is good if it is going to constitute a natural expression of a developing political pluralism, but not so good if it is going to be stimulated by dissension and dispute and an atmosphere of hostility in which the awareness of a common interest and reason of state may disappear.

Christian social and political movements develop within other parties (such as peasant, liberal, socialist and social-democratic parties). Christian parties function under their own banner but also exist in socialist and even liberal movements. On the other hand, advocates of the rightist concept of the economy may be found among Christian democrats as well as among the liberals. What is happening; what kinds of criteria and principles govern the process of the crystallization of political orientations?

Political movements develop—classifying in most general terms—within the framework of a concrete political struggle; on the basis of a specific philosophy of life and current program, and finally, as an expression of political interests of some particular social groups. The reciprocal arrangement of these or other reasons defines the character of political movements.

Movements termed Christian (Christian-democratic, Christian-nationalist, Christian-social) form, above all on the basis of world outlooks. Catholic personalism constitutes the base of this common world outlook. It carries with it a specific philosophical, psychological and ethical concept of the individual. It defines the individual's relation to society and to the concept of the common good. It builds the principles of societal life: freedom, helpfulness, social pluralism, justice, solidarity, and others. It makes individual and societal life fall in line with natural law. A philosophy of life built on this foundation has a profound relationship with that which is objective, absolute, and permanent.

Such a philosophy relates back to the serious, Aristotelian-Thomist philosophical tradition. Because—as claimed by Jacques Maritain—there is no real politics without a political philosophy that encompasses the concept of man, the theory of society, and a sense of history. In the same way, there can be no politics without reference to ethics.

This highly philosophical or "ideological" character of Christian movements has far-reaching consequences in the sphere of practical social activity. These movements are not only political in terms of aiming for power and exerting influence through this power on social reality but also ideologically instructional.

Therefore, the problem of participation in Christian social or political movements is tied to the acceptance of a particular preference for the philosophy of life factor. There will, of course, be situations in which believing Christians will engage in other political movements. This will be facilitated by, for example, a very capacious (noncohesive?) ideological formula. This simply means

attaching greater importance to other factors that form the basis for political movements.

The issue of a political movement's "religious beliefs" is very difficult for society to comprehend. The adoption of a Christian philosophy and membership in a Christian—by name—political movement should not be understood as an "act of faith." Faith is a matter of conscience, an individual matter. There are instances where someone is deeply religious and experiences doubts at other times. As stated, for example, by Prof. Wieslaw Chrzanowski, president of the Christian-National Union: "It is not the task of a political movement to interfere in this realm. Membership in this type of organization means, instead, acceptance of a certain set of ideas and a philosophy of life as a fundamental factor in social activity."

It is possible we will have many parties in Poland relating to Christianity or a multidirectional Christian-democratic party. We should not feel upset by this. Out of Christian philosophical inspiration, it is possible to arrive at political views that constitute a rather broad spectrum of trends. No one should usurp the right to the "only valid" interpretation of Christian thought. After all, Catholic social teachings constitute a kind of moral theology and not a political program.

In the light of the downfall of communism and the necessity to build a new system of government, a question emerges as to the form of this government. The Polish people are striving to achieve a standard of living comparable to that of Western Europe; the influence of the differentiated Western culture is making its mark. In the West, the process of secularization of governmental systems was accompanied by the widespread development of religious indifference. It is our ambition to enter this modern world as quickly as possible. What sort of nation would we like to be in the future?

Christian social and political movements have a great chance of combining various requirements; to draw from modern, organizational and technological solutions of the present-day world and, at the same time, from the strong roots imbedded in Polish national tradition and in a culture permeated with the spirit of Christianity, a personalistic view of man, a collective and integrated view of society as well as a historical and intergenerational comprehension of the category into which the nation falls. There most likely exists here some sort of parallel with the present-day premise of Anglo-Saxon conservatism. Fundamental restrictions of liberalism (see, for example, the latest discussion surrounding Francis Fukuyama's texts in *THE NATIONAL INTEREST*) have caused the development of conservative trends related to the Catholic philosophy of society.

In searching for our own concept of a state, we move within the sphere of such concepts as a "neutral state" or "Catholic Poland." The point of departure for Catholics as well, should be the principle of a secular state—something with which, I would think, everyone agrees. More discussion is prompted by this problem: should

this be a neutral state or one committed to the implementation of some particular social principles? I am far from a liberal concept of a neutral state. I do think, however, that an even greater evil would be to an attempt to build into the body politic some sort of new "monistic" concept.

An important element of personalistic social philosophy is the principle of social pluralism. Every human being has the right to choose his own road to personal development, to create various forms of culture, and to have access to them. The development of a broadly understood culture should not be controlled or manipulated. Attempts at making it uniform lead to its impoverishment and ultimately turn against the principles of Catholic personalism.

Under Polish conditions, it is necessary to take into account this reality which is society's pluralism of world outlooks regardless of the domination of Christianity in national life. Otherwise, we would be dealing with the violation of the freedom of conscience which would ultimately turn against Polish Catholicism.

The principle of social pluralism must be present in upbringing. Personalism obligates us to also recognize as an influence in the upbringing process—next to the institution of the Church—the local community, the state, the school, social and cultural organizations, and the mass media. We can and we should dispute the content of certain upbringing methods but we cannot negate the very principle of pluralism by attempting institutional monopolization of upbringing. The role of the family should be particularly stressed in the upbringing process and it should be assisted in fulfilling this role.

Therefore, what sort of restrictions should be placed here, and with what sort of qualities should the state be endowed, so that it will not be a neutral state? The implementation of the principle of social pluralism must be contained within the boundaries of the common good. It cannot restrict the implementation of that good or the personal development of an individual or lead to his corruption. Fundamental principles of natural law, such as the right to life and the right to freedom, which bring about general social and moral order, should be built into the body politic. It should be noted here that "right" in this case means the same as "commitment." The implementation of the rights of given individuals, social groups or entire communities cannot destroy the rights of others. A symbolic and how very dramatic example of this is the case of abortion; in the name of the freedom of some, others (and what's more—defenseless others) are deprived of the right to life.

YUGOSLAVIA

Tudjman Scored for Manipulation of Media

90BA0218A Belgrade NIN in Serbo-Croatian 29 Jun 90 pp 16-17

[Article by Ratko Dmitrovic: "The Chessplaying of the 'Journalists' Association"]

[Text] "In a democracy, sir, one does not fall because a policy has failed, but because someone does not know how to do his work."

This, among other things, was said by Ines Saskor, the editor of Zagreb Television's political news program, in explaining her irrevocable resignation from that position, which she had assumed several days earlier.

Ines did not leave voluntarily, but was forced to leave, just as Stevo Maodus did not leave of his own free will, and just as Goran Radman and Veljko Knezevic will not. In this republic, from the moment that the Croatian Democratic Community [HDZ] came to power, a black-and-white cubical seal, whose shadow swallows up some editor from day to day, has hung over the public news media.

Tudjman and his colleagues reject any idea that this is a question of revanchism, citing worldwide examples that show that among other things, with a change in the party in power, the management and editorial teams in the mass media also change.

Classification by Ethnic Identity

Easily adaptable journalists here find the greatest proof that this is not a question of revanchism in the words of the leading figures in the HDZ, who answer, in response to questions about whether there will be revanchism, "Out of the question!" I am interested in whether there is anyone who believes that the answer could have been any different.

The recent revolution in Romania, with the moderate backsliding noted in recent days, showed that destruction of the political system was the first priority in that process. The second one was winning over the army, while the third was taking control of central television, the medium that can be used most quickly, effectively, and easily to influence the formation of public opinion, political attitudes, and orientations.

Any self-respecting politician is completely familiar with this scenario. There was no revolution in Croatia. The Communists turned over power to Tudjman, who is mentioning, admittedly timidly, the formation of a national, Croatian army, but is not concealing his intention of taking over Zagreb Television. Even during the period between the elections, he threatened Veljko Knezevic, the director general of Zagreb radio and television, that he would not remain where he was, and since Knezevic is apparently a rather hard-headed type, determined to remain where he was until they took him out, Tudjman had to resort to "other measures."

Ines Saskor claims that the HDZ tried to persuade Knezevic to resign. He refused. All sorts of things happened at a meeting of Zagreb Television's key people with Antun Vrdoljak (a film director), a member of the Croatian Presidency. On that day, 19 June, it was announced that a branch of the HDZ would be formed at Zagreb Television, and it was not ruled out that there

might be demonstrations, with a possibility of breaking windows and demanding the resignations of everyone, from the secretaries to Knezevic.

A member of the Croatian Presidency is not afraid of ambiguity, and so he called the people on Zagreb Television's news program by name and classified them by their ethnic identity. By the way, Veljko Knezevic is a Serb, which in and of itself should not be important, but here it is quite important. Communist Serbs can pack their bags. Knezevic is not giving in; currently, he is on sick leave. Goran Radman, the director of Zagreb Television, is still in America on a study trip. The programming staff is proposing to the workers' council of Zagreb Television that it demand the replacement of Radman and Knezevic. That last blow is to be inflicted (perhaps it has already happened in the meantime) by Zagreb Radio-Television's central workers' council.

DANAS Is Next

In this society, explanations have often been, and still are, funnier than satirical works. That is also the case with the explanation of the demand for Knezevic's replacement: "The conduct of the secretary general, and his negligent performance of his duties during the time of these social changes, have had a detrimental effect upon relations at Zagreb Radio-Television and upon the performance of its work, and have thus damaged the reputation of Zagreb Radio-Television."

Life is based on irony. Instead of the HDZ's leaving all the employees of Zagreb Television in their present positions, as a sign of gratitude for its abundant assistance when the HDZ was taking power, it is replacing them in a brutal and far from tactful manner. I am not one of those who claim that Tudjman won in Croatia just because rallies were being held in Serbia. That theory is childish, and politically blind. I believe, however, that Croatia was taken over by a hard-line nationalist group partly because of the work of Zagreb Television and the press here, among other things. One should believe Ines Saskor when she says that for the last four years she performed her editorial work to the maximum of her editorial and creative capabilities, and with good intentions, but in doing so one cannot help believing that she is responsible for the unprecedented negative portrayal of the Serbian people, especially during the last 20 months or so. Such an aggressive approach, aimed at equating groups of undisputed nationalists with an entire people, in this case the Serbian people, had to stick in someone's throat.

The statements by former Croatian president Ivo Latin in another Zagreb daily are unforgettable. For example, on the eve of the unheld rally of truth in Ljubljana last December, Latin spent several minutes, as if it were the Third World War, reassuring the citizens of Croatia through their TV screens—"Do not be afraid, Croatia will protect your integrity and your property." As is well known, at that time not one military force was crouching on Croatia's borders, but on the other hand the Serbs

were announcing their arrival in Ljubljana, which meant that they had to pass through Croatia. Thus, the Serbs were labelled in advance as robbers, thieves, and hoodlums. Also, remember the very suggestive commentaries aimed at Serbia's political leadership, commentaries which often also had an insulting tone. Zagreb Television was the first to break the pattern of unified Yugoslav daily news. For months, Joso Durbaba was the crowning proof that the problem called "the Serbs in Croatia" did not exist. People apologized for using Cyrillic here. Zagreb Television turned the commemoration of the 600th anniversary of the Battle of Kosovo in Knin into an attack on Croatia.

The responsible officials of that news firm must be aware of the fact that they have contributed to the cooling of relations between this country's two largest ethnic groups. Tudjman also knows that, just as he knows that without the features of this news firm's above-mentioned editorial policy, he would not have received as many votes as he did, and so it is difficult for the uninformed observer to analyze the reasons for the "purge" of Zagreb Television.

A similar role was also played by the weekly DANAS, which, according to well-informed sources, is the next target, "as a hotbed of Communists and authors whose orientation is insufficiently national."

By the way, Veljko Knezevic is being replaced at Zagreb Television by a member of the Croatian Writers' Society, Hrvoje Hitrec, a well-known HDZ activist and fighter against the "Serbian peril," especially the Cyrillic script. Zagreb Television will become Croatian television, i.e., the "Zagreb television association" [SVJETLOMICA UDRUZBA ZAGREB], and this summer Radio Zagreb is also supposed to become the "Zagreb Radio Station" [KRUGOVALNA POSTAJA ZAGREB] [Translator's comment—in original, both titles use exaggeratedly Croatian vocabulary, instead of the more common cognates for television and radio.]

Tudjman Like Lenin

While the departure of the old editor-in-chief and the arrival of the new one passed almost unnoticed at VECERNJI LIST, that was not the case at the newspaper VJESNIK. The departure of Stevo Maodus, the former editor-in-chief, for the hospital was utilized for a coup. His chair was taken over by journalist Hido Biscevic. In case anyone is keeping records, Maodus is a Serb from Karlovac. Vladimir Slijepcevic, the chairman of the board of directors of the VESNIK NISTRO, also submitted his resignation. He claims that he did not do so under pressure, but in explaining his resignation he wrote, among other things, "I have the feeling that an intellectual climate is now being created in which it will be difficult to preserve the extent of journalistic freedom already achieved." He also added the opinion that in the new political situation in Croatia, it would be more difficult to fight for professional, independent, and non-partisan journalism.

Before the elections in Croatia, Tudjman and his associates, in talking about the kind of democratic society they advocated, did not omit to emphasize the necessity of a free and independent press as a precondition for the creation of such a society. The well-known English philosopher and poet John Milton delivered a famous speech in Parliament in 1644 about the freedom of the press and the baneful nature of censorship. That speech was published the same year in its entirety under the title "Aeropagitica." It was the first public demand for freedom of the press in England and the world. Only five years later, after the first bourgeois revolution in England, Cromwell instituted a military dictatorship, and thus strict censorship of the press as well. Only official newspapers were published. The main one was MERCURIUS POLITICUS, and its chief censor was none other than John Milton. A similar story is also associated with Vladimir Ilich Lenin. "And so," Tudjman says, "why should I behave any differently?" And so, as far as promises are concerned, they serve to pacify children.

Serbian Vice President on Role of Opposition

90BA0223A Zagreb VJESNIK in Serbo-Croatian
7 Jul 90 p 3

[Interview with Dusan Mihajlovic, Serbian deputy prime minister, by Mirjana Bozic; place and date not given: "The Opposition Is a Mirror of the Regime"]

[Text] Beginning on 14 June of this year, a roundtable discussion is being held every week in the Executive Council of the Assembly of SR [Socialist Republic] Serbia, a good opportunity for all parties in Serbia to take part in drafting laws important to this republic's democratic life. But also an opportunity to reveal their own strategies "between the lines," their own views of the regime, and occasionally there is some of what the folk poem refers to when it says "The emperors are fighting over the empire, they are trying to murder one another, to stab one another with knives of gold, and the empire is up for grabs!"

We talked about the roundtable discussion and certain other topical political issues with Dusan Mihajlovic, deputy chairman of the Executive Council of the Assembly of SR Serbia.

[Bozic] The institution of the roundtable discussion is unknown in our socialist system, at least in the way it is held every Tuesday in the republic Executive Council with representatives of opposition parties. What does the Serbian government hope to achieve by this?

[Mihajlovic] The desire and interest of the Serbian government is to arrive at the highest quality of legislative bills within its jurisdiction. It therefore accepts all constructive proposals that are aimed at that objective. I would support that by referring to the invitation to all the parties that exist to the discussion of the draft of the law on political organizations held on 9 March of this

year. The idea of the roundtable discussion is an expression of political reality and a reasonable step on the part of the government, which is offering an equal chance to all political participants to make their creative contribution to shaping legislation within the council's jurisdiction and of importance to the process of democratization in Serbia. I would mention that this government—since its election—has been operating under the Constitution and law and that its seat is at Nemanjina 11, not in some other building.

[Bozic] The representatives of some parties feel that this is not a true roundtable discussion, since their opinions are not automatically accepted. There have been demands that what the parties agree on should be mandatory for the Assembly. Is that possible in the present constitutional system?

[Mihajlovic] Not only would that be impossible under the Constitution, it would not be democratic either. A roundtable discussion cannot take the place of either the government or the Assembly. Disputing their democratic legality just because they have not been elected in multiparty elections is at this point an attempt to take power by undemocratic means. The elections in Serbia were both general and by secret ballot, they were direct, and they were free, and it is a fact that delegates representing more than one party were elected to the republic assembly even in the "one-party" elections. Incidentally, who would give the Council and the Assembly the right to share power with the leaders of parties when no one knows exactly how many citizens they have, or whom they represent? We do know that power was taken during the war or in elections. And all the parties have made public declarations against the use of force to obtain political ends. Accordingly, the citizens will decide about a new government in free, secret, direct, and general multiparty elections. Until then, the government can only behave in a nonparty manner and give all political parties the same access to the process of enacting laws, specifically those laws which are to facilitate realization of the commitments of the reform to transforming the party-governed state into a law-governed state and the one-party system into a multiparty system. As for honoring the proposal made in the roundtable discussion, I must mention three things. First, we should see to what extent the government and the Assembly have honored suggestions concerning the law on political parties. Second, the laws on information have been worked on together with the parties from the outset, from the phase of the working version. And third, I have made a public promise that as a member of the Council I will vote for proposals adopted democratically in the roundtable discussion, i.e., by a majority vote.

[Bozic] What in your opinion is the most important result of the roundtable discussions held so far?

[Mihajlovic] First, the very fact that we are talking! Second, that it has been demonstrated that the government is not some antidemocratic bastion which has to be conquered, but that it has been able to offer a law whose

democratic spirit no one has disputed. And then it has also been demonstrated that the ruling party is not some Bolshevik dragon, as it has been portrayed in most of the newspapers of the newly formed parties. It has become evident that its representatives are not only people with a democratic outlook, but they can also make a serious contribution to the discussion. And finally, at this point it is clear to everyone that enacting laws is not the same thing as making a fine speech and that this is an extremely difficult and responsible job requiring a great deal of knowledge, experience, and general culture.

[Bozic] You voted against the proposed version of the law on political organizations prepared in your area of expertise. Why?

[Mihajlovic] Because I did not agree with the wording of Article 4 on the organizational principle of political parties. I favored the exclusively regional principle, although the solution proposed (prohibiting the organization of political parties only in government bodies and information institutions established by the state) was legally straightforward and possible. But it is a question here of political convictions, not of legal principles.

[Bozic] You made a solemn declaration in the roundtable discussion that the Law on Political Organizations had been enacted and that this was an important event for democracy and Serbia. However, it has turned out that the law actually was not adopted and got "hung up" somewhere.

[Mihajlovic] I made an apology for that last night. I left the session of the Assembly before it was over in order to arrive at the roundtable discussion at the beginning, so that I was not informed that the Chamber of Associated Labor did not pass the amendment of a delegate. However, that does not essentially change the heart of the matter. The debate has been completed, the text of the law has been adopted, and it is a question of an amendment which does not change the essence of the law. That important day for the revival of democracy in Serbia has only been postponed.

[Bozic] What do you think about the Serbian opposition? There are those who think that Serbia deserves a better opposition and also that the true Serbian oppositionists have still not come out onto the political stage!

[Mihajlovic] Every government has the opposition which it deserves! The present opposition is a reflection of the ruling party and government. I am one of those who think that it is their obligation to create the conditions and means necessary for the present opposition to organize and straighten out its affairs and so that it will be Serbia's pride, not its shame. In any case, I personally think that the entire true Serbian opposition which deserves the credit for overthrowing one-dimensional thinking in Serbia is not on Serbia's political stage. Its most important representatives, I am thinking of Dobrica Cosic, Mica Popovic, Beckovic, Crncevic, "Mihiz," and others, are not committed to a political party. Nothing can any longer halt democratic processes

in Serbia, and their quality will not depend on the number of political parties, but on the strength, responsibility, and political wisdom of the opposition. The fact that many of the leaders of the newly formed parties are former Communists who did not succeed in realizing their ambitions in that party, and also that some are "renegades" from the opposition that has existed up to now, that is their affair. This should not be confused with the democratic need for the existence of a strong, organized, legal, and constructive opposition to every government, nor should the opposition be viewed in terms of the people who are now the leaders of some of the parties. The public and the elections will straighten that out, as it has in other democratic countries. There are many examples to support this assertion in the history of the democracy of the European countries.

[Bozic] Could you comment on Vojislav Seselj and his "Chetniks"? Can a party be registered when it has pronounced associations with tragic events of the past?

[Mihajlovic] As for Vojvoda Seselj, I do not know whether he has the right to represent the Chetniks. There are many wrong ideas and inaccuracies related to that term. The Chetniks are one thing, the Yugoslav Army and the homeland is a second thing, and yet another is the political program of the congress held in the village Ba which was written by Zivko Topalovic, who was also the author of the Social Democratic program. In any case, this should not be confused with the fascist programs and parties in Europe and on the soil of Yugoslavia in World War II. Citizen Seselj must himself define his position on all that, and it is up to the citizens of Serbia to decide on the program that is chosen. I personally feel that there are no reasons to ban any program or party which does not use force in realizing its political ends. The public is the best barrier and bulwark against all ideologies, programs, and parties who will not leave the dead in peace and announce new graveyards. To be sure, since we have not had democracy for a long time, we do not know much about what its essence is, what are the rules of the game and the rules of behavior, and we have been witnesses to daily manifestations of a lack of democratic culture and bad taste. But this is a process, and we all have to work together to broaden democratic culture and consciousness so as to survive more easily the labor pains of multiparty democracy. This applies equally to the government, to the ruling party, and to the opposition.

[Bozic] In your personal opinion, is it a realistic view of the opposition that in adopting their own Constitution the Communists will stand in the way of democratic processes and without any real free elections will renew their mandate, which so far has been unlimited?

[Mihajlovic] No, it is not. I pity those in the opposition or in power who think or who are afraid that someone can halt the democratization that has begun. This is no longer a matter of anyone's will or desire; there is no possibility of a deal on this by any leadership elite, since this is an objective historical process. The price which we

will pay and who will be part of it are another matter. This will depend on the political wisdom, skill, and responsibility of both the ruling party and the opposition, as well as those of the present bodies of government. I say that the election—the Constitution and elections—is not only a better political and legal solution, but also the fastest democratic way to arrive at the common goal of both the opposition and the ruling party—which is multiparty elections. I think that preparations for the two processes can go forward simultaneously, and that the elections can be scheduled faster than is anticipated.

[Bozic] Please give us your opinion as a citizen about the unification of the Socialist Alliance and the League of Communists and in a way—as has recently been said—of the "betrayal" of communism and the "changing of colors like a chameleon"?

[Mihajlovic] I do not think it is a question of "changing colors like a chameleon." Now that the multiparty system is replacing the one-dimensional theory of government, it is a time to make choices, and that is not the same thing as changing colors. Why should that right be denied those who up to now have been members of the LC [League of Communists] and the SAWP [Socialist Alliance of Working People], when it has been allowed to the present leaders of the newly formed parties? How many times have individuals moved from one party to another, and some even to a third party?

If it is a question of "betrayal" of communism, then I also am one of those. However, I think that the abandonment of bolshevism and the concept of the Titoist party are the greatest value of the unification.

[Bozic] Are you a "Milosevician"?

[Mihajlovic] I am and I am not. I am in the sense that I came to work on his team to achieve the goal which he has proclaimed: Serbia with a per capita income of \$10,000. I am not an economist, but it is well known that no state has achieved that without political democracy and a well-organized state. At the present moment, it is not possible to say what task is the most important. I am not a "Milosevician" if by that you mean loyalty to ideological commitments of certain members of his team.

Finally, knowing Milosevic as I do, I also know that he does not need "Milosevicians" in the way that "Tito needed Titoists." I believe, I want to believe, that he needs people who think for themselves.

[Bozic] To what will you commit yourself in the future?

[Mihajlovic] I will try to do an honest and professional job as a member of this government during this crucial time until the elections. I have already set forth my political convictions, so that all that is left is for me to see which party will represent them. These are convictions

to an extremely pragmatic and nonideological program with a combination of conventional liberalism and political protestantism!

[Bozic] What is your vision of the future of Serbia—especially the problem of Kosovo?

[Mihajlovic] I see Serbia as a strong and modern state. To be that, it must be democratic in both its politics and its economics. Just as the market is the lesser evil in solving economic problems, so multiparty, parliamentary democracy is the lesser evil which the world has thought of in solving the problems of freedom and democracy. We know the fate of right-wing extremism, and we have been witnesses to the tragic consequences of left-wing experiments. I include Kosovo among those consequences. When that "Bolshevik garden" in Kosmet is done away with, and the goals I have referred to are achieved, the problems in the south of Serbia which now seem insoluble will go away. It will take time, resources, and knowledge before all citizens of Serbia respect their state and before all citizens enjoy economic and political rights in it.

[Bozic] Are you concerned about the fate of Yugoslavia? How do you see it—in a confederative, federal, or some other light?

[Mihajlovic] No, I am not. It is clear that the Yugoslav nationalities must reach an agreement about a so-called fourth Yugoslavia (we have had Alexander's, Tito's, and Kardelj's!). This has to be talked about. We must not forget that there is no Slovenia that is greater than Yugoslavia, and that also applies to Croatia and Serbia. Along with Montenegro, Serbia gave its statehood to that Yugoslavia and sacrificed its own national interests. Yugoslavia is not the only possible destiny for Serbia, and it can also serve Serbia as a "transit station" on the road to Europe. Others should give thought to that and ask themselves: What are they losing if they are left without what Serbia has brought to Yugoslavia? I personally think that we are all confused and we do not see the essence of the problem because of the smoke and the dust that has been raised when Tito's Yugoslavia came crashing down. When the smoke clears, I believe that we will find roads to our life here in the future which will be better than what we have had up to now.

Activities of Export Bank Discussed

90BA0212A Belgrade EKONOMSKA POLITIKA
in Serbo-Croatian 2 Jul 90 pp 26-28

[Interview with Boris Konte, director of the Yugoslav Bank for International Cooperation (JUBMES), by Iztok Jurancic; place and date not given: "The Role of the State in Granting Credits for Exports"—first paragraph is EKONOMSKA POLITIKA introduction]

[Text] Who will pay for bad business. Continuation of cooperation with unreliable payers. How does one accumulate capital in the world for state financial institutions. Capital investment instead of long-term credits of the National Bank of Yugoslavia (NBJ).

The JUBMES [Yugoslav Bank for International Cooperation] is for now the only domestic financial institution that could be called an organized exporter of capital. In question is an institution the paternity of which is reluctantly admitted by the state; this is understandable. State capital, which was until recently hidden behind the credit functions of the central bank and its primary issuance, does not have the right to exist yet. It is currently created through taxes, and then as quietly as possible too, since the state has not yet revealed the balance of its assets. Taxpayers simply cover banking and exporting "bad loans," but the mechanism of the socialization of bad investments would work with much more difficulty if the public oversaw it.

Boris Konte, chief director of the JUBMES, came from the NBJ, where he was vice president. He has recently been involved with the purchase of Yugoslav debt paper on international secondary markets. Therefore, this is a man who knows a lot about state debt management as well as the problems of the Yugoslav export of capital.

[Jurancic] JUBMES is one of the few Yugoslav institutions geared to the export and not the import of capital?

[Konte] You could say that. JUBMES finances and insures exports, primarily the export of capital goods. This relates to the export of investment work and the transfer of technology and knowhow. We grant credits for the export of ships, turbines, and locomotives, as well as for the investment of capital in our own various enterprises abroad, the export of mass-produced and military equipment, etc. We grant credits for imports only when we must resolve the problem of uncollected claims; that is, when the debtor cannot pay his obligations and the countries agree that it will pay them with raw materials or producer goods.

[Jurancic] Who pays the losses if "bad loans" or so-called contaminated credits are involved?

[Konte] JUBMES does not have such credits for the simple reason that we make loans to a domestic commercial bank that grants credit to the exporter of capital goods. If a foreign buyer does not pay for the goods, JUBMES is not harmed since it has an agreement with the commercial bank, regardless of whether the bank or the domestic seller is paid.

[Jurancic] Would it be otherwise if you granted credit to the buyer, as is customary in the world?

[Konte] Certainly. JUBMES grants primarily so-called suppliers credits. For very widespread buyers credits abroad, it is characteristic that the credit rating of the buyer must be checked very closely and it must be high. In short, the buyer offers securities that the buyer must

always convert into cash on the secondary market. Unfortunately, Yugoslav enterprises export capital goods mainly to Asia or Africa, that is, to countries whose credit rating is not high.

Buyers credits can be granted for ships that we export to America, Norway or Holland. For such types of transactions, however, foreign exchange is necessary, which JUBMES has not had up until now. A new law on our bank permits assuming long-term debt abroad and only now will we be able to grant credits to buyers.

[Jurancic] Almost 500 million dollars in uncollected claims have been amassed through JUBMES credits. Have you thought about selling these claims on international capital markets?

[Konte] Formally that is certainly possible. But, to repeat, our debtors are in great trouble. If they offered securities of some central bank from a country with a lot of debt, the question is who would buy it at all and at what price. Probably at barely half price.

[Jurancic] Where does the state have the most uncollected claims?

[Konte] As I said, JUBMES is not harmed by such claims since it has an agreement with the domestic commercial bank. This means that it doesn't even lose a dollar. But the truth is that neither the commercial bank nor the exporter, nor, if you wish, the state, is paid on time. Whenever the state makes an agreement on the rescheduling of uncollected claims, they are replaced by claims that have not yet fallen due. The best known example of postponing the payment of debts is Iraq. Yugoslavia has concluded an agreement with Iraq on rescheduling for the most part, but a special law has been passed each time for the payment of commercial banks. I don't know how it will be in the future, since a primary issuance is not used anymore for these purposes.

[Jurancic] Although Iraq falls among unreliable payers, exports to this country of 331 million dollars worth, or 46 percent of last year's exports of capital goods on credit, were financed through JUBMES last year. And this year the most agreements have been concluded with Iraq—nearly 640 million dollars worth or 59 percent of total export transactions with developing countries.

[Konte] JUBMES will have to change its commercial policy completely and especially pay attention to the credit rating of the country or buyer, wherever he's from. Namely, JUBMES also insures its transactions. Agreements on insuring have been concluded at the rate of exchange in effect on the day the export transaction was contracted. Because of this our enterprises have not gotten much through insurance. But now, when the rate of exchange is frozen and inflation has stopped, the problem is quite different, of course.

[Jurancic] JUBMES is also a partner of the Military Service, a principal client of the NBJ for credits from

primary issuances. The Service used almost 40 percent of all the credits of your bank last year alone.

[Konte] For us the Military Service is a commercial bank that finances exports of the military economy. It has its capital and is legally a party for making payments. We conclude an agreement with the Military Service and it is required to make payments to us like every commercial bank. However, the truth is also that the Military Service is in the framework of the NBJ and draws funds from the federation.

[Jurancic] Let's return to uncollected claims. "Rescheduling is reduced almost to grants," stated the head of your bank, Ivan Stambolic, at the round table. Are assessments also known according to which Yugoslavia invests its capital at significantly lower rates of interest than foreigners pay?

[Konte] Unfortunately, that's true. But I wouldn't say it's a question of gifts. When the government reschedules a debt, then it only extends the time for repayment. If we know that a large rescheduling is agreed on at an interest rate of five percent, while capital costs 10 percent on international markets, then your statement is partially correct.

[Jurancic] Three laws relating to the operations of JUBMES were recently accepted. First, the inaugural investment of the federation will increase to 410 million dinars by the end of the year. The second law concerns the reduction of interest rates for exports of capital goods through JUBMES (942 million), and the third the conversion of 205 million dinars in short-term credits from a primary issuance to long-term. Is JUBMES becoming a real state bank?

[Konte] The situation has indeed changed this year, since the NBJ loaned a great part of the money from a primary issuance to our bank. The year before last and last year that share amounted to somewhat less than one half of all credits of JUBMES. That source of funds, because of steps in credit-monetary policy, no longer exists. The problems with the federation budget, because of which state capital has a low share in our bank, are also known.

In short, as recently as last year, JUBMES lived off discounted, short-term credits from the NBJ, but we invested that money on a long-term basis. The average time for repaying credits that JUBMES gives to domestic banks is seven years. In this way we came to an impossible situation. At the end of last year we invested 82 percent of the repayed funds on a long-term basis, but our sources are mainly short-term.

Institutions abroad specialized in the export of capital goods are 75 percent supported by state capital. With us the state share is barely four percent. Only now would that proportion improve and rise to 20 percent, with the law on the inaugural investment of the federation, but I think it should be far greater.

[Jurancic] How do they amass capital abroad for state financial institutions?

[Konte] The systems are completely different. For example, the American EXIMBANK (Yugoslavia is its third customer with 500 million dollars in borrowed credits) gets several billion dollars from the budget each year for financing exports of equipment. And the German Hermes only insures export credits. Since this is a state firm with a reputable name, it can sell securities on the market at any time and receive cash. Such a system would probably be more suitable for us. But you should also know that our capital market does not function yet and that this process will last three to four years.

[Jurancic] On the whole, money for JUBMES comes from the pocket of the taxpayer. The government has nevertheless decided to invest a small amount as capital.

[Konte] I think that the government would be ready for a greater capital investment, but it must conduct itself in a stable manner regarding budgets. Reductions in interest rates are not assigned directly to JUBMES but rather represent a stimulation for exporters of capital goods. The EXIMBANK or Hermes, for example, finances exports at an interest rate of seven or eight percent; it's 25 percent with our bank. Nevertheless, the reduction also serves as an instrument that will force commercial banks to invest more capital in JUBMES. As you know, only exporters of capital goods financed by our bank have the right to reduction of interest rates. As to conversion of credits of the NBJ, it will only ease the difficult liquidity position of JUBMES.

[Jurancic] From the standpoint of taxpayers, we are now all paying for the bank's "bad loans." Due to bad investments, the costs of domestic credits are very high.

[Konte] That, naturally, is a global truth that we are recognizing. We are paying the price of past errors, inflation and the like. But, I repeat, every country is interested in financing exports at competitive prices. I often hear at meetings that many enterprises think the government left them in the lurch when it concluded an agreement on rescheduling. I don't think so. No one forced the enterprises to conclude agreements on carrying out investment projects abroad. Perhaps certain politicians did, but in no way the federal government. The enterprises took a risk themselves, but they agree on further projects with unstable buyers because they hope that the government will see to it that they're paid. I don't think it will be that way any more. The price of such a method of operating is always a higher primary issuance. It is not logical, for example, to build roads in some countries with money from the Topcider printing shop. It would be better for the Adriatic highway, which we will now build with foreign capital, to be built with that money.

[Jurancic] Why doesn't the government invest more taxpayers' money as its own investment rather than subsidize borrowers? Moreover, if the exporter of capital goods could not now take credit abroad, wouldn't domestic banks have many chances?

[Konte] Unfortunately, foreign financial markets are still closed to us. As long as the government concludes agreements on rescheduling our debts, while the cost of Yugoslav securities is 60 cents on the dollar, it will remain that way.

As to the first question, I quite agree. Overseas the stockholder of the bank, such as ours, is usually the government. In this way it gets the right to a dividend and to directing the commercial bank. Frankly speaking, I would prefer it myself if we would convert short-term loans of the NBJ into capital investment instead of into long-term credits, since capital is very expensive today.

BULGARIA

Trade Union Monthly Hosts Roundtable on Shortages, Black Market

90BA0205A Sofia KNSB in Bulgarian May 90 pp 2-5

[Material compiled by Borislav Naumov: "The Black Market in the Arms of the Bulgarian Octopus"]

[Text] If the Bulgarian consumer had his own Bible, it would probably begin as follows: "In the beginning there was the shortage. It led to speculation, illegal trade, and organized crime...."

Today the problem is not exclusively economic and legal and, even less so, could it be considered the latest "growth error." It is above all political, and the responsibility for its solution is borne by all political forces.

Whenever the black market becomes stronger than the "white" market, the life of the ordinary person becomes darker. One fears the parallel development of having and not having. The stores are virtually empty and, on the black market, absolutely everything is quite expensive. It is thus that tying both ends becomes exhaustive labor, almost like a rope-balancing act. As the Bulgarians follow the path of democratization of the overall social system, increasingly they exclaim bitterly: "There can be no hungry democracy!"

It can be said that life itself made our present discussion at the Consumer Club necessary. The following responded to the editors' invitation to discuss the problems of shortages and the black market, speculation, and illegal commerce: Penko Zlatkov, senior inspector of the KDNK [Committee for State and People's Control], sociologist; Georgi Georgiev of the Karl Marx Higher Economics Institute, economist; and representatives of the administration of the Sofia City MVR [Ministry of Internal Affairs] Avgustin Konstantinov, deputy chief of the Economic Department, Khristo Stoynov, chief of the Trade Department, and Vyacheslav Dimitrov, chief of the department for the struggle against currency-contraband crimes.

[KNSB] Today the people say that "there have always been shortages, but there have been never been so many shortages!" Unfortunately, the store shelves remain bare, and the lists of goods in short supply are already being lengthened with the addition of many goods of prime necessity. And, since at the same time speculation and illegal trade are blossoming, let us try to describe the condition on the Bulgarian black market.

[Penko Zlatkov] Usually the condition on the black market is the consequence of the condition on the real market. The market and trade are directly linked to the overall condition of the economy. If the economy is sick so are they.

Three years ago, applying a sociological approach, the KDNK developed an automated information system to

record exposed negative phenomena as a result of control activities. The data confirmed the existence of a durable trend toward an increase in negative phenomena in trade, which is natural. When reasons for deformations pile up, the result is an accumulation, both in terms of quantity and level of organization, of the negative phenomena we are discussing.

Speculation is blossoming, but why? Our economy is in a state of crisis and the rhythm in production and trade has been disrupted; there is a chronic imbalance between the production of goods and services and real needs for the same.

Furthermore, a high percentage of public catering establishments, operating on the basis of the stipulations of Council of Ministers Letters 17 and 35, are supplied from the commodity stocks destined for the population. This is a clear example of how the imperfect nature of legal documents makes it possible for individuals to benefit to the detriment of consumers.

[Avgustin Konstantinov] It is not as of yesterday that our authorities are fighting speculation, illegal trade, corruption, illegal enrichment, and other similar phenomena. We are actively cooperating with the KDNK, State Financial Control, and the Trade and Services Main Inspectorate. We are also assisted by the public. The reason for which our struggle is not sufficiently efficient is both the growth of such actions as well as the imperfect nature of the current regulations, the very slow judicial process, etc.

[KNSB] Actually, how does our legislation define speculation and illegal trade?

[Khristo Stoynov] Article 225 of the Penal Code classifies as speculation any action according to which a given commodity is sold at prices higher than those established by law. Article 233 of the same code reads as follows: "Anyone who purchases, with a view to selling or sells goods purchased for this purpose, without the proper permission, is engaged in illegal trade." However, we can clearly state that the penalties stipulated in the law are quite mild. Therefore, on the one hand, they are inconsistent with the social danger of the action and, on the other, the fear of the punishment simply does not restrain the violators. All of us need the type of legislation which would block the Bulgarian citizens from committing crimes. At that point our work will be dominated by prevention and not by exposing already committed crimes.

[KNSB] Does anyone know what percentage of commodity stocks is being marketed not through the commercial network but through the black market? Are the dynamics of such processes taken into consideration?

[Khristo Stoynov] I believe that no such study has been made.

[Vyacheslav Dimitrov] In the past five years, our authorities have confiscated in favor of the state on Sofia

territory alone goods worth more than 10 million leva. About one-third were in precious metals and foreign exchange the selling of which on the black market would have brought much higher revenue.

[KNSB] With such large amounts and, in general, considering the overall volume of illegal activities in the black market, could we speak of any kind of organized crime in our country?

[Vyacheslav Dimitrov] Specifically in terms of smuggling, I can confidently say, "yes, there is organized crime!" Goods are purchased, let us say, in Austria, loaded on a vehicle, crossing three to four borders, and delivered in Bulgaria. They are first concealed, after which wholesale salesmen sell them to retail salesmen, and so on. If that is not organization I don't know what you could call it.... Let us not mention the fact that on the trip back it is primarily rare metals—silver and platinum—that are shipped out, or else foreign exchange which is not kept in the country but leaves the country in payment for the goods. All of this is a single process which follows the cash-commodity-cash formula. It is high time for everyone to understand that a high cost is paid for imported goods sold on the black market. In making a deal some citizens may benefit. As a whole, the state loses in rare metals and foreign exchange.

Furthermore, although our authorities have answered the question of whether organized crime exists in the country, science has not provided such an answer. Yet science is the one which should define actions and formulate legal rules. So far we have not had the possibility of participating in the discussion of such laws. Instead, we have been given already drafted regulations.

[KNSB] Let us go back to speculation. We know that the Ministry of Trade, the control authorities and many editorial boards have received a number of letters saying "please, help!" No washing machines can be purchased in the stores but with the help of a "middleman" they can be bought for 100 leva or more. Color television sets for example require a "mark-up" of yet another 200 leva; a drawing room suite requires an even bigger supplement, and so on. Obviously, some urgent measures are necessary.

[Khristo Stoykov] I discussed this matter with Comrade Rusev, deputy minister of trade, and I can tell you that this problem is being considered from a number of sides. In order to achieve social justice, although this makes the work of trade organizations more difficult, it was decided to draw up lists of sales of scarce goods, computerize them, etc.

[Georgi Georgiev] It is thus that, even with computers, we shall return to a feudal distribution system....

[Khristo Stoykov] Yes, it is true that this decision is controversial. However, our practical experience shows that at the present time scarcity is leading to a number of severe crimes. It is no secret to anyone that a great deal of scarce goods simply "evaporate" on their way from

"wholesale trade" to the stores. Where are they sold and how are they sold after this and what sums are being thus earned by some people? This too is not socially fair. No society can allow such ways of distribution of commodity stocks. However, I believe that the permanent solution to the problems of scarcity and the related negative phenomena require the implementation of a radical economic reform. Problems of ownership, privatization of trade and services, and, in general, the conversion to a market economy must be resolved legislatively.

[Georgi Georgiev] Unfortunately, we continue to view the shortages and speculation not as being economic problems. In the case of prices based on a market economy (stock exchange) speculation is a high form of economic activities which regulates supply and demand and, according to some authors, stabilizes prices.

In countries with a centralized planned economy, all trade is rigidly regulated as to who could sell what, at what price, etc.

Today we find throughout the world two kingdoms: the kingdom of the market economy and that of central planning....

[KNSB] And we find ourselves in an interregnum....

[Georgi Georgiev] ...Precisely in an interregnum that, on the one hand, encourages features such as speculation and, on the other, intensifies the economic crisis.

What do I mean by interregnum? Should we start with ownership? The question is being postponed and circumvented by all possible means, regardless of the many orders about privatization, ownership pluralism, and so forth. Meanwhile, in the area of active social life, the market mechanisms are being loosened without any true market competition, which, in the final account, is reduced to the problem of ownership. It is thus that the old monopoly structures continue to exist. However, we have converted from administrative-monopoly price setting to the market variant of monopoly price setting.

In such a unique economic situation of transition, the way the cards will be played on the economic table will greatly determine the future of the low-income segment of the population. Today these people are suffering as a result of shortages and speculation; tomorrow they will be facing unemployment as well.

[KNSB] It is clear that, until we have developed a real market economy, the negative phenomena we are discussing will continue to affect the pocketbook of the Bulgarian citizens. Bearing in mind the existing situation and the immediate future, what changes could be made to restrict the power of the black market?

[Khristo Stoykov] As long as there are shortages there will be speculation.

[Georgi Georgiev] The growth of speculation and inflation are indicators of the radical nature and effectiveness

of our economic reform. We started by introducing a market economy on a limited basis; that is, to a certain extent we developed market relations in trade without a market-oriented production process. This widened the kingdom of shortages, which is the root of the evils we are discussing: speculation, illegal trade, and so forth.

We must start with production, on the level of ownership. However, even if we were to demonopolize the production process and privatize some of its sectors or branches, it would not react with lightning speed. At this point we need the intervention of the state. Let me refer to the Hungarian example. In Hungary the government created stabilization funds in agriculture. When the private commodity producers began to raise prices excessively (look at the cooperative markets in Bulgaria), the state simply purchased the agricultural commodities (which is no problem because international markets are flooded with such goods), releasing them at prices that are roughly consistent with production costs in the country. At that point the privateers must either lower their prices or go bankrupt. This stabilizes prices on the market and prevents the development of social tension among low-income people.

[KNSB] Nonetheless, does it look like we will not be able to do without market relations?

[Georgi Georgiev] We must develop the market intelligently in its circulation and production aspects, for otherwise the entire economy will flare up. The most terrible aspect of shortages, when speculating, is that they are the fuse that could explode the powder keg—that is, inflation. Should this occur, a mad speculative race will be started in absolutely all economic areas.

[Avgustin Konstantinov] At the same time, the control system and the MVR authorities would find it simply impossible to deal with the negative phenomena and crimes that are the consequence of the overall state of the economy.

[KNSB] For the time being, at least, the problems we are discussing have a multiplying effect: Shortage leads to speculation, and speculation aggravates shortage. One approach is to stabilize the economy, and, we believe, no one questions the need for the fast implementation of a radical economic reform. The other approach is to improve the legislation. But what? Could we find at least one ray of hope that would take us out of the darkness of the black market?

[Penko Zlatkov] A struggle aimed at consequences and not at the prime reasons is always doomed to failure. More than ever before, today we must coordinate the legislative, executive, and judicial powers in the struggle against the phenomena we are discussing.

[Georgi Georgiev] As a country, as a state, we are at a crossroads. One way is the completion of the economic reform leading to the creation of a market economy. For the time being, the people have stopped at the pass, hoping for some kind of miracle. They do not say, "We

shall not make the reform!" but appeal to us to postpone, to consider, to look around. The events that took place in the other socialist countries make it clear that those who postpone the implementation of reforms must confront most violently the problems of inflation, shortages, speculation, and so forth.

My recommendation is directed above all at the National Assembly because the definitive implementation of the economic reform most directly depends on the legislative resolution of the problem of ownership. Any postponement threatens not only the total collapse of the domestic market but also the related accumulation and eventual explosion of social tension among population groups that may find themselves below the poverty line.

Shortages and speculation not only encourage inflation but are also the foundation, the base on which organized crime appears.

Let us look at the history of one of the countries facing the most serious problems in the struggle against organized crime, the United States. In that country, the Mafia was created thanks to the accumulation of crime capital earned through speculation and illegal trade in a single commodity—alcohol. Our organized crime could actually rely on the entire national economy because it is already difficult, if not impossible, to say what is not in short supply today and, even less so, what will not be in short supply tomorrow. If Bulgarian organized crime is able to develop on such a powerful economic base, unquestionably it will become exceptionally powerful.

[Avgustin Konstantinov] We are appealing to the National Assembly, the Council of Ministers, and the State Council: They should hurry in making laws and legal regulations on which not only the MVR organs but also the entire control system could rely. Let the law be a real law and not a door open to nowhere. Let there be an end to undermining legislation with so many resolutions.

[Vyacheslav Dimitrov] A new law is about to be passed on the people's militia. For our work to be effective, we must know our rights. We must have an adequate legislative foundation for our activities, and, not least, we must be given social guarantees and security that will protect us and our families if we are harmed while performing our official duties.

[Khristo Stoyanov] To me, the range of problems we are discussing today is, above all, political. Responsibility for its solution must be borne by all the forces on the political stage.

If we continue to follow the old ways and the old systems and stereotypes, if we continue to hammer out prohibitions instead of trying to eliminate the reasons for the various phenomena and crimes we are discussing, everything will remain only in the realm of pious wishes.

[KNSB] We thank you and all participants in our discussion. We are not deluding ourselves. We do not wish to delude our readers: There are no miracles in economics, and, even less so, miracles happening overnight. It is true that what occurred in Japan, the FRG, South Korea, and Thailand since World War II could be also considered a miracle. If nothing else, within the range of our possibilities, we should at least create the legislative conditions and prerequisites for a truly qualitative new economic growth. We hope that this will take place because otherwise we shall remain poor and, probably, also hungry. Yet, as we mentioned at the start, nowhere in the world does a hungry democracy exist....

CZECHOSLOVAKIA

Foreign Exchange Goal: One German Mark for One Koruna

90CH0269F Prague HOSPODARSKE NOVINY
in Czech 3 Jul 90 p 3

[Article by Eng. Milos Halouska, candidate for doctor of science (CSc.), Czech and Slovak Federal Republic People's Control Commission: "One Mark for One Koruna: Will Comparative Efficiency Become the Motive Force of Our Economy?"]

[Text] Is it possible to accelerate the transition to a market economy and avoid inflation? The author of this article thinks so. The mechanism to accomplish this, as the subtitle suggests, is the use of comparative efficiency. The goal, then, is to make the efficiency of our firms comparable to the efficiency of firms from developed European countries.

The reason for the transition of the Czechoslovak economy from an administrative to a market orientation is the inability of the administrative form of management to compete successfully with leading industrially advanced countries in what is most important, labor productivity. It may also be stated that the chosen indicators for monitoring ongoing economic processes have failed, because according to the statistics (goods produced, adjusted value added, profits, etc.) economic growth was taking place, yet Czechoslovakia clearly lags behind developed countries in its standard of living. The chief shortcoming of these indicators has been that they measure only the domestic economy, and have had no links to world economic performance.

The inadequate predictive capability of the domestic indicators has been made worse by a complete lack of competition on the domestic market. Using the index method of planning, we have been measuring ourselves with ourselves. This of course has led to serious errors in decisionmaking of which the individual economic entities were not even aware. Nevertheless, these indicators became the basis of the economic mechanism. In the final analysis the economy could end up in world competition only as it has, a failure.

In this context the question has been posed of whether in this transitional period the same problem of inadequate recognition of economic reality might not pose itself in another form, leading us to limit too severely the range of possibilities for the rational management of future economic development. The course of reform efforts in Poland and Hungary serve as serious warnings.

What Analysis Shows

The period of administrative economic management and this transitional period have in common a lack of competition on the domestic market. This results from the specialization of our enterprises and from severely limited possibilities for foreign competition. Enterprises suffer from a lack of hard currency resources to purchase imports and an additional barrier in the form of a commercial exchange rate of Kcs10 per West German mark.

In the CSFR and the FRG wage levels are approximately the same in korunas and marks. It follows then that for a foreign product to be competitive on our market FRG labor productivity must be greater than labor productivity here for the same product by a factor of ten. In other words, the cost to produce the product in marks must be one tenth of its koruna production cost for the product to be successful on our market. It would therefore be enough for our producer to have labor productivity that is less than that in the FRG by a factor of five in order to, for practical purposes, eliminate foreign competition from our market.

A second possibility for creating a competitive environment is to allow foreign capital to establish its own production facilities in the CSFR. For the country as a whole this would mean an immense amount of capital over a long period of time. A third factor weakening the competitive environment here is the easy accessibility of export profits for our firms, allowing them to purchase one mark at a better rate than Kcs10.

Another characteristic shared by the administrative management system and the transitional period is the use of profits as the critical criterion of economic success. The natural expansiveness of profits appears in areas of least resistance. In an uncompetitive situation those areas are prices and easily accessible excess costs. When the administrative barriers to price increases are removed price increases are inevitable. This implies that profits are a necessary category for this transitional period but not a sufficient condition to assure that a firm behaves rationally.

In the current situation the level of inflation is determined by the extent to which wages and prices are deregulated. On the other hand maintenance of existing prices and wages necessarily leads to stagnation. The world will leave us further behind if we delay in deregulating prices and wages. The consequences of such a shock treatment under current conditions are unclear. What we need to do is find some way out of a circle that is nearly closed.

Similar situations and solutions to them are nothing new historically. Our experiences of the recent past prove this. The common denominator of the solutions has generally been an untraditional, creative attitude and a new, generalized conception of the problem. Suggestions for the new approach have not necessarily come from the professionals, in this case the classical economists. This article should be taken in this spirit; as a nontraditional approach to structuring an economic mechanism for this transitional period.

What Efficiency Criteria

An initial fundamental and, at first glance absurd, requirement is that the new mechanism be capable of functioning in both an administrative and a market type economy and, naturally, in the transitional phases of either. To accomplish this the decision making criteria must be such that they do not lead to erroneous decisions in either environment. An essential part of this mechanism is procedures for price and wage formation. Prices and wages should stimulate development towards the target state without inflationary tendencies. In addition, the transition to a prosperous economy should proceed at an adequate pace.

The first step is to identify the position of each enterprise and, of course, each of its products in relation to both the world and, in particular, the EEC countries. Only then will we understand the full magnitude of our backwardness as well as our underutilized capacities, potentials, and possibilities for their utilization, etc. In other words, the first step is to shift from internal, largely isolated criteria of economic efficiency to uniform, world recognized criteria.

This involves measuring labor productivity using world standards, independent of the economic conditions in this or that sector (whether competitive conditions exist or not, whether our currency is convertible or not, the current economic mechanism, etc.).

The above requirements are met by the comparative national labor efficiency criterion, which is based on the following assumptions:

- Production costs, or the domestic wholesale price (input quantity) are expressed as a function of time; the number of hours or minutes of past, present, or future labor that will be expended on the product, servicing it, other output of the enterprise, the branch, etc. This time figure is available from statistics;
- An objective valuation (output quantity) of this embodied labor, i.e. the use values of the product or service. This is provided by the world market, and usually in a convertible currency (dollars, marks, etc.);

At this point it is important that both quantities, i.e. time and convertible currency, are quantities that will not change when transferred across borders. This is the fundamental requirement for international comparisons.

The result of the comparison is a number reflecting the achieved level of comparative efficiency. In the case of an enterprise the comparison is the time in minutes needed to create, for example, one West German mark of output both in our enterprise and in a statistically average foreign enterprise in the same field. A comparison of these times gives us a comparative efficiency figure. If the time to produce one West German mark worth of output is four times as great as the time measured in a firm in the FRG, then the comparative efficiency of our firm is 25 percent. If a worker in our firm takes ten times as long the comparative efficiency of that firm is 10 percent.

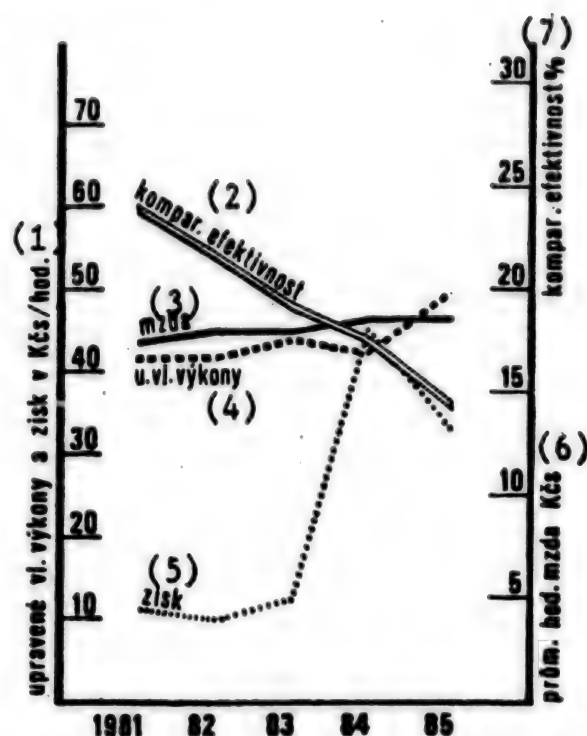
Where Development Is Heading

For example, consider the evolution of comparative efficiency at one of our leading machine tool manufacturers, which wishes to remain unnamed, through the 1980's. The calculation shows that this firm and its suppliers take a little more time to produce one koruna of product than a similar firm in the FRG takes to produce one mark of product. The differences in time were small. This means that in terms of embodied labor, $Kcs1 = DM1$. Capital replacement costs expressed as a ratio of korunas to marks showed an unfavorable growth trend at the measured firm, reflecting the fact that the firm is having to expend increasingly more korunas, and therefore time, to produce one mark of output. The resultant comparative efficiency shows a declining trend and in 1990 is expected to be roughly half of the 1981 figure.

This firm with a mediocre evolution in comparative efficiency is evaluated on the basis of our domestic indicators as a very good performer. This is based on the fact that it exports one third of its output to nonsocialist countries, its high export efficiency ($RU=140$), and its lack of problems selling its output.

The graph shows that positive development of domestic indicators such as adjusted value added and profits do not equate with positive developments in comparative efficiency. In fact, the developmental trends are the inverse of each other. Likewise, average wages rose while comparative efficiency declined. In other words, the farther we fall behind the higher the average wage.

Now let us attempt to answer the question of how fast the comparative efficiency of the measured enterprise would have to grow to be on a par with an average FRG machine tool firm by the year 2000. If, by the year 2000 the time necessary to produce output worth one mark declines by the same percentage that it declined between 1981 and 1988, i.e. 4.3 percent annually, by the year 2000 it will take 0.73 minutes to produce output worth one mark. Our measured enterprise will have to reduce the time it takes to produce output worth one mark by a factor of $9.37/0.73 = 13$, which implies an annual decrease of 19 percent.



The evolution of the comparative efficiency, average hourly wages, hourly profits, and adjusted value added for our average enterprise during 1981-85

Key:

1. Adjusted value added and profits in Kcs/hour.
2. Comparative efficiency.
3. Wages
4. Adjusted value added
5. Profits.
6. Average hourly wage, in Kcs.
7. Comparative efficiency in percent.

Comparative efficiency can, of course, be used to evaluate the difficulty of investment strategies and innovation objectives, to evaluate the feasibility of the programs proposed by candidates for the position of enterprise director, to evaluate the potential impact of cooperative ventures with foreign firms, etc. If we want to adopt world criteria it will not be enough for an investment to be simply profitable, it must yield products that bring us as close as possible to a comparative efficiency of 100 percent. In other words, the goal must be not only profits but a comparative efficiency that is as close as possible to $Kcs1 = DM1$.

Conditions That Motivate

So far we have described comparative efficiency as an analytical and valuational tool. Now we will discuss its use as a component of the economic mechanism.

When seeking a way out of the current situation two important points must be kept in mind as constituents of

an incentive system. First it is necessary that the incentives be sufficiently intense so that they bring out the full potential of the work collective. Secondly, incentives must be structured to channel work group activity in the proper directions.

If the strategic objective of the Czechoslovak economy is to achieve labor productivity on a par with that of the industrially advanced countries, and if we want to be able to measure this productivity in terms of comparative efficiency, then why not directly tie wage levels for a work collective to its achieved level of comparative efficiency? This would mean that the higher the comparative efficiency, the higher would be the wages of a collective. The connection should also be clear so that the work collective feels both the positive and the negative consequences of its efforts. The key to the economy of the transition period is to tie increases in average wages to world efficiency criteria.

What impact will there be on enterprise behavior if wages are tied to comparative efficiency? Work collectives should have a clear interest in maximizing levels of output of products comparable with those produced in developed countries while minimizing the hours spent producing this output. This is the only way for employees to maximize their average wages.

The qualitatively new element in the behavior of work collectives is that they would no longer have an interest in hiding excess capacity. The sooner they can activate such capacity the sooner their average wages will increase. We can expect, then that work collectives will begin to feel like the true masters of their workplace, ready to participate in world economic competition.

Proceeding Against Inflation

Now let us see how significant economic incentives based on comparative efficiency could lead to new economic behavior in price formation. Price formation would work like this: The serious efforts made to maximize the price received for a product abroad while minimizing the labor (time) spent in producing the product should result in a work collective being interested in the lowest possible domestic price. This is because when less time is spent producing a product its total costs are lower and therefore it can be sold for a lower wholesale price, since the basis of embodied costs (whether past, present, or future) is labor, i.e. time expended.

On the world market our work collective should behave just like every other owner of production resources, i.e. he should try to maximize the price received for his products. Yet with regard to domestic customers he would behave just the opposite, i.e. try to minimize the price charged for his product. This is the only approach that would maximize his wages. This model assumes that the firm pays all its bills and meets all its transfer payment responsibilities.

This would mean a complete turnaround in current economic thinking, which calls for maximizing the price received for a product no matter who the customer is. The domestic producer under the new conditions would try to minimize the wholesale (domestic) price of its products without regard for whether it is or is not the monopoly producer of an item.

This opens the possibility of leaving price formation to enterprises. Increasing domestic prices for products without a corresponding increase in that product's valuation on the world market results in a decline in the firm's comparative efficiency, and therefore to a decline in average wages. The reverse is also true. A declining domestic price with constant foreign prices would improve average wages. This would be an important antiinflationary mechanism.

In conclusion it may be stated that the use of comparative efficiency analysis as an analytical and valualational tool has essential benefits for the economic criteria of this transitional period. The link between average wages for enterprise work collectives and that enterprise's comparative efficiency should motivate the necessary economic growth and antiinflationary behavior of enterprises. In addition, price formation can be left to enterprises.

GERMAN DEMOCRATIC REPUBLIC

FRG Agriculture Minister on Restructuring GDR Farm Sector

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[Article by FRG Agriculture Minister Ignaz Kiechle: "On Restructuring the GDR Farm Sector"]

[5 Jul p 4]

[Text]

I. Market Policy

The Basis: Article 15 of the State Treaty

With the formation of a monetary union and economic community, the GDR farm sector must also be given a market economy direction. Instead of central planning of the production and distribution of foodstuffs, the principles of a social market economy will also apply to the farm and food sector in accordance with the appropriate articles of the state treaty.

With a view to early establishment of German unity, it is a matter of planning as speedy and complete as possible integration for the GDR farm and food sector in the EC agrarian market and hence also in the FRG. That is why my colleague, Dr. Peter Pollack, and I have discussed and formulated in great detail the draft of Article 15 of the state treaty concerning agriculture.

Essentially, its content is directed at including the GDR farm sector in the EC agrarian market. This is served by the following elements:

- Introduction of market regulations in accordance with EC market regulations as a system of price support and [tariff] protection,
- A system of minimum prices guided by the EC price level, as a transitional solution in sensitive areas such as milk and meat production,
- Retention or introduction, respectively, of quantity quotas for sensitive areas in the intra-German goods traffic,
- The willingness, based upon mutuality, to waive price-adjustment levies and reimbursements in the trade with the 11 other EC countries,
- And support for financing measures to ease the structural adjustment process of the enterprises, for an environmental and quality-oriented production, and to avoid surpluses.

Intra-German Trade

On 1 July, a new protective system for the GDR farm and food sector will come into force. To solve marketing and sales problems for certain products in intra-German trade of GDR purchases from the FRG, the following measures will be applied:

- Purchase permits for statistical control of the goods flow, and
- quotas for sensitive products.

The functioning of this regulation will be constantly examined on the basis of actual market development. Should the necessity arise that adjustments are needed in the interest of the consumers or the producers, this can be done in a short time in the commission of state secretaries provided for that purpose.

The setting of quotas will be necessary for a transition period in order to give time to the GDR farm and food sector for restructuring and modernization. This is to prevent the GDR developing into a supplier of raw materials, while the FRG becomes the supplier of finished products to the GDR populace. It is important to me that the net product created by the processing of agricultural goods, as well as jobs, remain in the territory of the GDR. Happily, West German industry sees it the same way.

In view of the deliveries of West German foodstuffs to the GDR, which increased in the past months, the Federal Government has granted the following easements:

- active commission processing,
- transit trade traffic,

—increase and granting of new purchase possibilities according to the equivalence compensation. That is to say, in accordance with goods deliveries to the GDR, additional purchases from the GDR for equivalent quantities of raw materials are authorized.

GDR-EC Trade Relations

The state treaty does not affect the EEC treaty protocol on intra-German trade. But it opens up the possibility of changing trade relations between the GDR and the EC in the sense of a *de facto* customs union, with the GDR waiving price-adjustment levies and reimbursements if the EC acts accordingly vis-a-vis the GDR.

The EC now wants to avail itself of this offer. Thereby the EC would have created the preconditions for as free as possible goods traffic with the GDR and equal mutual market access, also for agricultural and fishing products.

The EC Commission bases this on the premise that the GDR then no longer distinguishes between the FRG and the other 11 EC member states in the handling of its import quotas. To take this into account, the quotas which already exist in intra-German trade would then have to be opened to all of the EC.

Moreover, the state treaty also provides that the two governments consult each other on the shaping of the measures. As experience has shown so far, this takes place in a decidedly trusting atmosphere.

Adjustment Will Be Socially Cushioned

During a transition period a purposeful package of adjustment measures for the GDR farm sector will be introduced for a social cushion as well as for structural adjustment, attainment of a competitive, environmental and quality-oriented production, and to avoid surpluses.

During the second half of the year 1990, budget funds of DM5.27 billion are available for this purpose. The People's Chamber at present is still debating the GDR budget.

A total of DM302.2 million of this are earmarked for improving the agricultural and market structure. They are to be used for measures such as extensification of production (DM72 million), a heifer bonus (DM4 million), promotion of individual enterprises (DM85 million), improvement of rural housing (DM30 million), village renewal (DM50 million), and consolidation of arable land (DM10 million); for measures of improving the market structure (DM30 million), agricultural-structural preplanning (DM0.2 million), first-time afforestation (DM20 million), and measures against the new types of forest damage (DM1 million).

Also, DM43 million are earmarked for various measures to promote environmentally balanced agriculture. DM2.2 billion are available for adjustment and stopgap aid. Over DM1.5 billion are scheduled for implementation of the market regulation measures, and DM625 million for general agricultural expenses so that, together

with assistance for the forestry and fishing industries, the total comes to over DM5.2 billion. This amount earmarked for six months provides a solid basis for easing the conversion and adjustment to EC price and cost conditions.

A total of DM9.1 billion are available in fiscal year 1991 for these and a number of other measures, such as taking acreage out of production, cultivation of apple plantations, decrease of milk production, lowering the price of diesel fuel, and introduction of environmentally protective technology to agricultural practice.

With the price reform, which will be linked to abolition of the high subsidies for foodstuffs (in 1988, approximately 34 billion marks), functioning markets are to be created again. Although a certain raising of the price level will result for consumers, they will simultaneously partake of the broad range of goods enjoyed by West German consumers.

In the following will first be described the most important elements in the restructuring of market policy in the individual product sectors. A further article will deal with agro-structural and social measures for the adjustment of GDR agriculture.

What Changes Will There Be in the Individual Product Areas?

Grain

State-regulated and preset purchase and delivery obligations will be replaced with price and delivery agreements which are freely negotiated between the respective market partners. For this, elements of the EC grain market regulation will be adopted which is in force in the FRG and the EC, respectively.

In the GDR market, it provides price support through state intervention purchases at an established intervention purchase price. In the GDR as well as the EC, it will amount to approximately DM380 per ton of wheat, and approximately DM360 per ton of barley. From the 1990 harvest only that grain is taken into intervention which corresponds to EC quality criteria. The intervention period stretches from November to May. In addition to intervention, private stockkeeping—i.e., a state-supported financing of storage, will also be promoted.

Because of high grain production and the costs linked to surplus utilization, the EC for years now has levied a so-called coresponsibility duty on producers which is paid over to the EC cash office. With certain exceptions, this will also apply to the GDR.

Vis-a-vis so-called third countries, i.e., non-EC countries, in future the price level will be generally ensured in the GDR, also, through the protective measures in force in the EC. These are levies (so-called price-adjustment levies) on grain imports which prevent the price level then existing in the GDR from being undercut.

But in all this, one must always take into account that in the GDR, also, the price of grain is not only an income factor, but also a cost factor. Since a great quantity of grain is used for fodder, with relatively low grain prices the processing enterprises can also count on lower production costs.

Oils and Fats

In accordance with the EC market regulation system, a price support and tariff protection system will be established.

A basic ordinance regulates the trade with vegetable oils and fats, their raw materials as well as their processing residues. The market regulation of the basic ordinance is limited to rape and turnip seeds, sunflower seeds and olive oil. The principle is applied that the internal market and tariff protection regulations must correspond to EC regulations.

The GDR will retain its two-price system for rape, turnip, and sunflower seeds. Accordingly, because of price support, producer prices are higher than the prices for processors. The price level at the processing and consumer level, respectively, is practically determined by the world market. The difference compared to the producer price level is balanced by assistance to the processors (oil mills and producers of mixed fodder). For exports of rape and turnip seeds, an export reimbursement can be granted.

The producer price level is additionally supported by state purchases (intervention). The intervention regulation corresponds to that of the European Community. Hence there is no quantity limitation, and the intervention period—as in the case of grain—is restricted to the months of November to May. So in principle the same regulations apply in the GDR as in the FRG.

Sugar

The transition market regulation for sugar also follows very closely the EC market regulations. Its essential core is the setting of production quotas for sugar. Also to be adopted are the price regulations with intervention regulations for white sugar and unrefined sugar, threshold prices and basic turnip price as well as minimum prices for Class A and B sugar beets. This applies correspondingly to the assessment of production levies as the basis for self-financing of the sugar market regulation in the GDR. In addition, the industry itself will introduce a system of promoting private stockkeeping, financed through levies.

Sugar production exceeding domestic consumption is to be exported to third countries with export reimbursements. To ensure supply of the GDR, a minimum storage quantity is planned, as in the EC. Sugar imports, as in the EC, are subject to a price-adjustment levy.

Milk

Adoption of the respective EC basic ordinance is planned for milk. It contains the basic rules for tariff protection, price support, state allowances, quality, guaranteed quantity regulation and coresponsibility levy.

Milk supply in the GDR in 1988 amounted to 7.76 million tons. For 1990 an increase to approximately 8.3 million tons is expected. If it is assumed that the same consumption habits will develop in the GDR as in the FRG, approximately 6.22 million tons per year could be sold in the GDR. For this reason, a production reduction of approximately 20 percent compared to the 1989 supply will become necessary. This corresponds to the reduction rate which had to be accepted by the large producer enterprises in the FRG since introduction of the quota regulation.

For the period between 2 July 1990 and 31 March 1991, or until application of EC law, the GDR has adopted a kind of quota regulation by establishing minimum prices for a certain quantity. The minimum price must be set in such a way that the processing products of milk remain salable on the market.

Supply quantities for agricultural enterprises are set by the kreis councils for the period between 1 July 1990 to 31 March 1991, or until application of the EC law, respectively. For milk deliveries above the established supply quantity, the milk producers receive only 25 percent of the minimum price. The amount of individual enterprises' supply quantities for nontaxed cow's milk deliveries is 5.365 million tons until 31 March 1991.

External market safeguarding is done through price-adjustment levies and reimbursements. Import and export licenses are required for all imports and exports. Guideline, investment, and threshold prices and the amount of state allowances are to correspond to the respective amounts established by the EC for the FRG. To stabilize the market, by 1 March 1991 at the latest a system of intervention is to be established with measures of public as well as private stockkeeping as in the FRG (butter, skim milk powder, cheese). Until then, only private stockkeeping and allowance regulations are to be applied transitionally (for instance, using skim milk and powdered skim milk for fodder purposes, milk delivery to schools, butter delivery).

The GDR milk industry is obligated to buy contractually fixed amounts of milk, applying the minimum price system vis-a-vis the milk producers. After expiration of the contract date (1 April 1991), the guaranteed quantity regulation is to be adopted according to the adjusted EC regulation.

The assessment of a coresponsibility levy is also planned, but at first only at a reduced rate compared to the FRG of one percent of the guideline price for milk. So-called disadvantaged areas, which receive compensatory payment, are exempted from it.

Beef, Pork, and Mutton

In these product groups, the GDR has exceeded full self-supply. Hence a short-term reduction of the supply surplus through extensive slaughtering could lead to undesirable additional market burdens.

In order to prevent a drop in market prices below a certain price level, the transitional market regulations are to be largely guided by the described system for milk. Therefore, slaughtering enterprises are obligated to pay minimum prices to the agricultural producers during a transitional period of six months. For internal price support, state allowances for private stockkeeping and export reimbursements are planned, following the rates applied in the EC.

Safeguarding market prices vis-a-vis third countries is implemented through assessments of price-adjustment levies. In the case of beef, additional customs duties are levied. The regulation on price-adjustment levies and reimbursements also applies to EC member states—with the exception of the FRG—as long as the EC on its part does not waive price-adjustment levies and reimbursements.

The special bonus for beef producers, the bonus for maintaining heifer stocks, and the bonus in favor of mutton producers in principle is granted in the GDR according to the respective EC regulations. In the case of the special bonus for beef producers—it amounts to DM94 per male animal for slaughter—the maximum number of 90 animals per enterprise which applies in the EC at present can be exceeded until 31 December 1990. The heifer bonus is DM152, and the ewe bonus for this year amounts to approximately DM53.

Poultry, Eggs, Rabbit Meat

The GDR has an ample supply of poultry for slaughter. Poultry production in 1988 amounted to 277,000 tons live weight (including rabbit meat).

With application of the elements of the EC market regulation (officially maintained prices and price-adjustment levies, and reimbursements vis-a-vis third countries) future prices will be established entirely freely on the market, particularly since no internal price support is planned. In the case of poultry, the producer price will be geared to the grain price because of the high percentage of fodder costs in the total production costs (approximately 60 percent).

In the case of eggs, production with 5.7 million eggs exceeds consumption by seven percent.

The new market regulation for eggs corresponds largely to that for poultry. The future producer price for eggs will be strongly guided by the grain price because of the high percentage of fodder costs in the total production costs (approximately 70 percent). A decrease in production of eggs can be expected.

Fresh Fruit and Vegetables

The GDR market organization for fresh fruit and vegetables corresponds largely to the EC regulation. EC quality standards will, however, be introduced with a time-limited exception for products originating in the GDR for its domestic market with regard to packaging requirements and labeling of the merchandise as well as sorting by size of apples and tomatoes. The minimum standards provided in the EC regulations will be applied. The technical preconditions for observing these criteria are being prepared in the GDR.

The possibility of intervention is being created through producer organizations which have yet to be formed. As in the FRG, market repurchases for apples, pears, cauliflower, and tomatoes will be considered. Intervention is planned under the same conditions as in the EC. Maximum repurchase prices correspond to the prices applied in the FRG.

To ensure tariff protection, the reference price system of the EC market regulation will be adopted. The GDR will collect countervailing levies to the same extent as the EC. Export reimbursements can be granted in accordance with the EC regulation. Foreign trade in fruit and vegetables in the EC is liberalized, if reference prices for 18 products are not applied. The EC market organization does not provide for import licenses.

The GDR establishes a system of import licenses and quotas to the extent that it is necessary to protect sensitive goods of their own production. For imports of products which are not grown in the GDR, or hardly so, importation is liberalized. Instruments for preventing market disruptions are planned.

Processed Fruit and Vegetable Products

The GDR's transitional market organization closely follows the EC market organization. The production allowance regulation for processed tomato products will be adopted. At present, approximately 25,000 tons of tomatoes are processed annually as tomato puree and tomato juice.

Foreign trade in processed fruit and vegetable products is largely liberalized in the EC. To the extent that the EC provides minimum import prices for individual products (processed cherry and dried grape products), price-adjustment levies on the content of sugar added, and the possibility of granting export reimbursements, these regulations will be adopted. The amounts correspond to the sums applicable in the FRG.

The EC market organization provides for import licenses for a number of processed products. The GDR adopts these regulations. In addition, for other important products of its own processing industry, depending on sensitivity, it provides for a system with quotas or licenses, respectively, to control imports.

Wine

The GDR will adopt the EC wine market regulation and the FRG wine legislation. Until now, the production quantity in the GDR came to approximately 60,000 hectoliters annually. No change is expected after 1 July 1990. An important element of the GDR's new market regulation is the internal pricing. The GDR's wine market regulation contains no guaranteed prices. Only annual guideline prices for table wines are established; if prices fall below that, intervention measures can be initiated.

Export reimbursements are granted for exports of table wine to third countries. The reference price system used in the wine sector of the European communities will be adopted as an external safeguard.

Transitional periods will be needed in the areas of ecological procedures and labeling methods.

Hops

The EC hops market regulation will be adopted by the GDR without restriction. So far, the GDR production quantity came to approximately 60,000 hundredweights. No change is expected after 1 July 1990. The GDR's new hops market regulation contains no guaranteed prices. At the end of a financial year, a producer allowance depending on acreage will be paid. Only quality protection is provided vis-a-vis third countries.

Until German unity is established, in case of market disruptions import and export quotas can be determined within the framework of a licensing system.

Live Plants and Goods of the Flower Trade

The GDR will largely adopt the EC market organization, and in particular introduce EC quality standards. In accordance with the EC regulation, neither guaranteed prices nor import price-adjustment levies are scheduled.

In a number of products, the GDR will provide for a licensing system without quantity limitations for import control.

Implementation of the Market Regulations

The institutional prerequisites for implementation of the market regulations described were created through establishment of an institution for agricultural market regulations (ALM). The respective funds to finance the various market regulation tasks will be allocated to the GDR agricultural budget for 1990 and 1991.

(The article will be continued.)

[7 Jul p 4]

[Text]

Transition Regulations Needed

With the introduction of the EC agricultural market regulations and EC prices, a sharp drop in prices resulted

for agricultural producers in the GDR such as never happened before anywhere. Thus producer prices in the GDR have drastically declined. Although it was difficult to assess how price formation would develop within the market regulations, it was certain that a complete and unchanged adoption of EC regulations as of 1 July 1990 was not possible. For this reason, transitional market regulations were created.

Some of the transitional market regulations contain certain particular points which are to take into account the so far greatly divergent price levels, and also the totally different GDR agricultural structure.

The former endeavor in the GDR, to secure complete self-supply in all agricultural sectors if possible, and in addition to export agricultural products for foreign currency, in the past led to self-sufficiency rates of sometimes over 100 percent in important sectors. The loss of consumer subsidies will make adjustment of the already excessive production to demand more difficult. Moreover, in recent weeks and months a sales stoppage occurred, particularly in the milk and meat sectors.

Minimum Prices for Problem Products

Against this background, a complete setting free of prices as of 1 July with exclusive application of the tools of the EC market regulations would have been unjustifiable. Prices would probably have fallen far below the EC level. For this reason, the transitional market regulations of the GDR provide for minimum prices for milk, beef, and pork. These minimum prices are guaranteed by slaughter houses and dairies for certain minimum quantities.

The production quantities exceeding GDR consumption must be sold on third country markets by granting special reimbursements. One possibility in particular would be some state-trading countries with which close trade relations already existed previously. "Surplus quantities" which cannot be sold at minimum prices must be sold below market prices. The system of minimum prices can only be applied for a limited period of time.

In view of the totally different structure of producer enterprises compared to comparable enterprises in the EC, there will be temporary divergences in the coresponsibility levy for grain and milk, and also in the bonus regulation for male beef cattle.

Production Management Needed

In the consultations with the GDR government so far, it was also discussed to what extent present GDR production in the agricultural sector can be maintained or can be continued, respectively, in an economically meaningful and ecologically warrantable manner.

In the milk sector above all, production will have to be curtailed considerably. The capacity adjustment in the GDR necessary to observe a quota will be eased through special measures. I may mention that in the reduction of milk production in the EC, also, a certain amount of compensatory payments was granted for the waiver of production.

A production adjustment will also occur in the meat sector with the introduction of a market economy. That is to say, it will lead to a drop in production.

The situation in the grain sector is somewhat different. In this case, up to now less was produced than consumed. A production quantity of approximately 11 million tons of grain faced consumption of approximately 14 million tons. But in this sector, a slight increase in production and a noticeable drop in consumption can quickly lead to complete self-sufficiency. It can be expected that the reduction in milk/meat production will lead to a drop in fodder grain consumption. Consumption of bread—after the elimination of consumer subsidies—will also decrease noticeably.

However, precise quantity regulations for milk and sugar, as well as adjustment of EC-guaranteed quantities for grain and oil-bearing seeds within the framework of stabilizers, must still be negotiated in the EC agricultural council.

Acreage To Be Taken Out of Production in GDR

Limiting of production in the arable farming sector is to be made easier through premiums. Many farmers in the FRG have voluntarily taken acreage out of production and received a premium for it. In this manner over 600,000 hectares have been taken out of production in all of the EC. Comparable aid is also granted in the GDR. The desired shut-down acreage ranges between approximately 200,000 and 300,000 hectares.

The average premium will be approximately DM600 per hectare (DM11,000 in the FRG), and the spread will be lower than with us [the FRG]. The lower premium—as compared to the FRG—is based on the fact that, because of the lower production level and comparatively high production costs on the farmland, lower marginal incomes were attained, and that the farmland units to be taken out of production in the GDR of more than 100 hectares per enterprise will also save part of the fixed costs.

Lastly, production will also have to be cut back since, in certain cases, it is not compatible with the demands of an effective protection of the environment and nature.

Adjustment Aid for GDR Enterprises

Although the development of production and operating fund prices cannot be assessed completely, it is probable—despite the transitional market regulations described here—that very soon liquidity shortages (wage

payments, and also interest payments and obligations) and pressure on income will occur in the enterprises.

Hence adjustment grants will be given, in order to make the necessary structural adjustment process socially bearable. These adjustment grants are linked to clear criteria and signals:

1. They have a time limit.
2. They are graduated degressively.
3. The enterprises must prove their capability for development (as of 1991) with a plan for enterprise restructuring.

II. Development of the Rural Area—Agricultural Structure

Indispensable for a healthy development of GDR agricultural structures is the creation of legal preconditions for the acquisition of property and the right of free disposal over property. Only then will the individual be able to direct himself to making a living from farming. At present, great priority is given in both German states to working out a solution to the difficult key questions of property rights.

Structural Policy Worked Out in Principle

It can already be said clearly now that this legal framework alone is not sufficient to get the necessary structural adjustment moving. Financial assistance in particular is indispensable. As described above, appropriate funds have been earmarked for this in the GDR agricultural budget. In principle, the measures in the structure policy sector that proved themselves in the FRG would also make a good starting base for the promotion policy in the GDR. Its government has meanwhile developed principles for it.

The promotion measures geared to West German agriculture and their desired development aims, their framework established by EC law, create problems in the shaping of the GDR. I should like to explain that briefly with the example of the so-called Individual Enterprise Investment Promotion Program (EFP).

Individual Enterprise Investment Promotion Not Transferable

Under this program, enterprise investments worthy of promotion are for the qualitative improvement of production, lowering of production costs, energy savings, etc.

This means that the new formation of farm enterprises so very important for the GDR cannot be supported with this promotion geared to our conditions. That also applies to resettlement, for instance, which is promoted by the EFP. For this reason, our farmers who want to receive the respective promotion must contribute the value of the former farm to the financing.

Moreover, the setting of certain promotion limits is also to ensure that the funds benefit primarily farm establishments. For example, investments in the sector of dairy cattle can be promoted only if, among other things, at the time of application no more than 40 cows per full-time labor, and 60 cows per farm enterprise, are kept and these limits are not exceeded due to the investments. For cooperatives, the number of cows is extended to 120.

But the starting position in the GDR is quite different. If these promotion criteria were simply transferred [to the GDR], only the approximately 3,000 independent private enterprises in the GDR could be promoted. These funds could not be used, however, for the necessary deconcentration and restructuring of socialist agriculture.

But since one cannot and does not want to change all the promotion regulations, deliberately chosen for the FRG and guided by EC law, to such an extent that they also suit GDR agriculture, some new measures must be created. Essentially, they are the following:

- Investment promotion for the reestablishment and modernization of family farms operated full-time or part-time, and
- Investment promotion for the restructuring of agricultural enterprises in the form of juristic persons, i.e., LPG's [Agricultural Producer Cooperative].

Reestablishment of Family-Operated Farms

In this, promotion is given to full-time and part-time farm operations, but also to legal entities who work an agricultural or forestry enterprise and pursue aims directly benefiting the public, church or charity. The agricultural budget for 1990 has DM30 million available for full-time farm operations, and DM315 million next year; for part-time farm operations, DM10 million and DM20 million, respectively. Allocations to the individual enterprises are made in the form of subsidies, public loans and interest-rate reductions on capital market loans, each up to a certain maximum limit. Restrictions in promotion exist for beef production, raising dairy cattle and pigs, and in the egg and poultry sectors.

Modernization of Existing Family Farm Operations

In this case, also, full-time and part-time farm operations are promoted. Budget funds of DM20 million (1990) and DM40 million (1991) are earmarked for this. Assistance is to be given for investments serving greater efficiency and easing the work load in family farm operations. It is similar to that for the reestablishment of enterprises, but not as extensive and comprehensive.

Start-Up Assistance for the Restructuring of LPG's

The budget funds earmarked for this purpose of DM25 million (1990) and DM200 (1991), respectively, are to serve the restructuring of enterprises existing on the basis of the LPG law into sizes of operations justifiable

from a business-administrative standpoint. There is above all assistance for enterprise investments which:

- are due to restructuring, particularly the reduction in labor force,
- serve environmental protection, preservation of agricultural resources and animal protection (improvement of application technology for pesticides and fertilizers, increasing storage capacity for farm-produced fertilizers), and
- serve adjustment to the market development (for instance, improving milk hygiene).

Also entitled to promotion are partnerships and joint stock companies in the agriculture, horticulture, and freshwater fishery sectors. VEG's [state farms], on the other hand, are excluded from promotion. Restructuring must take place within the framework of a rehabilitation and development plan. It must lead to:

- adjusting the production and organization structure to the conditions of a social market economy,
- reducing the labor force appropriate to the enterprise,
- raising wages and salaries of the remaining labor force, and
- attaining an environmentally sound plant and animal production.

The allocations are made in the form of interest-rate reductions for loans from the capital market and grants. Promotion restrictions are applied as in the reestablishment of enterprises.

Reallocation of Farm Land

To improve the competitiveness and also the environmental compatibility of production, procedures for the reallocation of farmland are also needed in the GDR. In this it will above all be important to allocate continuous areas to the newly forming agricultural enterprises. This will simultaneously prevent a splintering up of the remaining areas worked by cooperatives or other legal entities.

Market Structure Also To Be Improved

Improving the market structure will also be a particular challenge in the GDR. The processing bottlenecks, particularly in the case of livestock for slaughter, show clearly that special efforts are needed to create new capacities. This calls for national as well as European solidarity.

In the great tasks facing us, in accordance with market economy requirements, the state can only shape the framework conditions and grant subsidiary assistance. The initiative for modernization and restructuring of the agricultural sector must come from enterprises in the GDR and FRG willing to make a commitment, and from the other European neighboring countries. The state will

grant investment promotion, above all for new construction of slaughter houses, new construction of, and efficiency measures for, dairies as well as for processing and marketing establishments for other agricultural products. In the second half of 1990, DM30 million are available for improving the market structure, and DM110 million in 1991.

Social Policy

Social union accompanies the introduction of the market economy in the GDR. In accordance with Articles 18-23 of the state treaty, at present the draft of a law on social insurance is being discussed in the GDR. This law will regulate health insurance, pension insurance and accident insurance.

It is the aim of this law to end the uniform insurance system existing in the GDR at present. As of 1 July 1990, the GDR (like the FRG) has a structured system of social insurance (pension, health, accident, and unemployment insurances). In the area of pension, health and accident insurance, autonomous bearers are to be formed for the individual branches of social insurance by 1 January 1991, if possible.

Farmers Remain Under Social Insurance

Social insurance is obligatory for all persons who draw income from independent or dependent work. Hence, for the transition period, the obligatory comprehensive social insurance will at first continue in the GDR. Thus independent farmers as well as LPG members and employees of the LPG's and VEG's are insured under this social insurance.

Self-employed persons are exempted from obligatory participation in the pension and health insurances if they can prove that they are adequately insured elsewhere. But the GDR has expressly excluded farmers and LPG members from this exemption option.

The contribution rates in the GDR will correspond to those in the FRG. That is to say, for the pension insurance 18.7 percent of gross earnings are retained as contribution, and 12.8 percent for health insurance. Half of each is to be borne by the employer, the other half by the employee. The LPG is considered the employer.

Pension Insurance

The net pension level of the GDR will in future correspond to that of the FRG. That means, pensioners who have fulfilled their work requirements (45 years of insurance) receive 70 percent of the net income of employed persons in the GDR. This will lead to a noticeable increase in pensions in the GDR. In contrast to farmers in the FRG, who have only partial insurance coverage through old-age assistance, GDR farmers thus have a full insurance coverage system for their old age.

Health Insurance

In addition to the preliminary continuation of present insurance systems, a gradual change in the availability of [other] insurances will take place, corresponding to that in the FRG.

Health insurance grants benefits in kind and money payments. In contrast to the FRG, farmers in the GDR, in case of illness, will continue to receive sick pay (and no operating assistance).

Accident Insurance

The funds for accident insurance are essentially financed through the accident charges which are to be paid by the employers (LPG's, independent farmers) exclusively. The accident insurance grants benefits in kind and money payments.

Unemployment Insurance and Works Development

In accordance with the state treaty, the GDR introduces a system of unemployment insurance including a works development program which corresponds to the regulations of FRG Works Development Law (AFG) (taking into account the special circumstances of the GDR).

Under the GDR Works Development Law, LPG members are considered employees and are fully covered by the GDR Works Development Law. Thus LPG members (like employees) receive financial aid in case of unemployment, shortened working hours and vocational qualification (for example, retraining). In addition, with the tool of job creation measures, a contribution can be made toward stabilizing the labor market situation in the GDR.

Regulation of Early Retirement

Since February 1990, the GDR also has a regulation on early retirement. Under it, workers and employees as well as members of production cooperatives, if this benefit was approved by the general meeting of the cooperative, can take early retirement as of the fifth year before the normal retirement age.

A precondition for this benefit is that efficiency measures, other structural changes, health or other reasons lead to job loss. Early retirement pay amounts to 70 percent of the average net wage during the last 12 months. The contributions to health and pension insurances are assumed by the employer.

Early retirement pay is granted by the enterprise upon application. Up to 1 July 1990, the enterprise was reimbursed for 50 percent of the early retirement pay from the state budget. Certain agricultural enterprises and agricultural production cooperatives will also be reimbursed from the agricultural budget for the remaining 50 percent of the early retirement pay and for the social insurance contributions assumed for the recipient of early retirement pay. This means that early

retirement pay benefits in the agricultural sector are assumed fully by the state budget.

Concluding Remark

It would be presumptuous to try to conclusively assess the development lying ahead of us. Never before was an agricultural sector—or even an entire economy—so radically turned upside down in such a short time. We are thus facing a “world premiere,” which we must carry out with resolve, but also socially bearable in the interest of people oppressed over decades.

However, with a stable policy—that also includes a sensible agricultural policy—and our flourishing social market economy we have the best chances to successfully master the tasks lying ahead of us.

POLAND

Fuel Imports: Decentralization, Structure, Ministerial Policy Viewed

90EP0683A Warsaw *POLITYKA* in Polish No 24, 16 Jun 90 p 16

[Article by Pawel Tarnowski: “Everybody Is Happy But the Finance Minister: After Vodka—Gasoline”]

[Text] The dealers operating on the West European fuels market have had various kinds of clients, but the types they see coming from Poland are probably types they have never seen before. They carry plastic bags stuffed with dollars or other hard currency. They clearly have a difficult time sputtering out even the word gasoline in English. Moreover, they are obviously unfamiliar with the laws and customs that govern such trade. That is the picture of the new type of “Polish petroleum merchant.”

Fortunately, not all of them make the trip immediately. Many of them first try to “get the lay of the land” by phone and quite often they shock the people at the other end of the line from Hamburg and Rotterdam with their approach to the matter. According to Reuter's, in May just one large Western fuels trade firm had 30-40 such clients per day. Now that it is no longer profitable to trade in vodka and spirits, wealthier and more enterprising Poles have shifted over to gasoline. Its their money and their business.

Since the beginning of the year, i.e., since the time of the formal breakup of the Ciech-Petrolimpex monopoly, anyone may trade in fuels. Taken together, signed contracts, novices and dilettantes still represent a marginal group. Ciech, CPN [Petroleum Products Center] and several financially solid private brokers import gasoline in wholesale amounts. They know how to go about doing business; they have proven this.

If there were no private import firms, the spring gasoline crisis in Poland would probably have been even more annoying and longer than it was. Let me call to mind that when Soviet and Polish fuel sources unexpectedly dried

up in April, only a rapid increase in imports from the West was able to save the situation. Private enterprises and companies competed quite admirably. CPN and Ciech experienced difficulties with stepping up deliveries, but they managed to tap other sources or to get known sources going more quickly.

It is estimated that in April and May alone private importers imported tens of thousands of tons of motor fuels. CPN purchased twice as much directly. Today Ciech's chief competitors are Figra Holland Ltd, headquartered in Rumia; Europol Trading House from Barlink; the Erge Export-Import Trade Enterprise from Poznan; and the firm Aleksander Gawronik.

If nothing changes, the number of those who wish to import fuel into Poland in wholesale amounts will continue to grow. Given the current level of prices at home and abroad, and the high rate of the dollar, this is a very good business, and not only for importers but likewise for the CPN. Obviously, motorists, who are again able to purchase fuel (for how long nobody knows) and who even have a wide selection, are also pleased. Only the finance minister, who does not receive a single grosz from this trade, is unhappy. However, he apparently has recognized that maintaining strong incentives for imports, and thereby for a permanent, good supply, is more important at this time than money itself. Maybe so.

This decision has the following consequences. According to data from the Treasury Department in Gdansk, the Figra Holland enterprise imported 10,900 tons of leaded gasoline in May and made 8.3 billion zlotys. Profits from Poznan's Erge firm, attained between January and May 1990, were fixed by the Szczecin Treasury Department at 5.17 billion zlotys. Conservative MF [Ministry of Finance] Turnover Tax Department estimates show that the import of 41,000 tons of leaded gasoline 98 between 21 April and 18 May yielded a profit averaging about 13.6 billion zlotys. In the next few months these sums will obviously increase significantly. Poland's domestic fuels balance shows that in 1990 Poland will have to import a million tons of leaded gasoline. In previous years, Soviet refineries covered half our import needs. But now?

If we assume that the entire million tons will be imported from the West, then importers will gain a clear profit of 440 billion zlotys for their work of making cash purchases of gasoline. This profit will be shared by Ciech, CPN and private firms in proportions which are difficult to estimate today. It would seem that this is not a bad profit for classic brokerage.

Such enormous profits for brokers are possible because gasoline import is exempt from the turnover tax. After paying the tariff, they paid 1,960 zlotys for a liter of leaded 98 in May. The Finance Ministry estimated the costs of transporting it to Poland by water at approximately 60 zlotys. If CPN had paid suppliers 2,250 zlotys per liter, i.e., as much as it paid a domestic producer for poorer-quality leaded 94, the profit per liter would have

been 230 zlotys. For CPN such a transaction was also very profitable because "red" gasoline sells for 2,450-3,000 zlotys at gasoline stations. The only question is whether merchants and the CPN should be raking in all these sums.

Opinions on this issue are divided. Brokers in general question such calculations, claiming that their own costs are much higher than the treasury departments suggest. Representatives from Figra Holland claim, for example, that their so-called overall costs amount to 25 percent of the import value. The Finance Ministry in turn clearly disbelieves this. If this were really the case, the profit of importers would continue to be minimal and there would not be such raids on Rotterdam, London, Hamburg, Amsterdam and Antwerp by new seekers after gasoline transactions. Why do they shove their way through the doors and windows, ready to pay not \$229 per ton but \$243?

If we assume the Finance Ministry's taxation department figures to be correct, then we still do not know what to do next with these enormous profits. The "budget lobby" would like to pump this source of revenues. At the Finance Ministry they say that imposing a tax of just 7 percent would bring revenues of 220 billion zlotys into the state treasury on the import of 1 million tons of leaded gasoline. This is nothing to sneeze at at a time when we will import 1.2 millions of crude this year from the USSR for dollars, costing Poland an added 1.1 trillion zlotys for the year.

Opponents argue that the introduction of such a tax will cause import to become unprofitable if it coincides with the trend towards increasing prices on the international fuels market, and the Polish government wants to preserve the present domestic price level for a time. They likewise argue that taxing importers would make a very bad impression on large petroleum companies, whom we are trying to lure without results and who are, moreover, already quite disgusted with the instability of Poland's economic system.

The Ministry of Finance is so afraid of weakening the present extremely shaky stability of the Polish fuels market that gasoline import remains untaxed for the present. Nor has the compromise proposed by Tomasz Bartoszewicz, president of the Main Customs Office, to "possibly introduce a turnover tax for private persons importing motor fuels" been accepted for the present. Besides, this would not be of much significance economically, since various firms and companies are the biggest importers of gasoline, and it would conflict with the principle of the equal treatment of all economic organizational units (which is supposed to be the canon of administrative behavior but still is not).

The admirable restraint exhibited at present by the finance minister in the administration of his rights and monies (the fuels trade is highly taxed worldwide) is certainly contributing over the short term to moderating

tensions on the domestic fuels market and it is encouraging import, without which we would have to completely stop driving our cars. Moreover, given the continuing high rate of inflation, it is limiting the natural pressure to increase gasoline prices. All motorists can be very happy about this—for now.

Over the long term, however, such a policy is unacceptable. It lines the pockets of those whose pockets should not be lined. I do not think that Mr Gawronik would join with Mr Figurski (of Figra Holland) or even with CPN to form a company to build the next refinery in Poland (which we need desperately) using monies which they are making on their brokerage, thanks to the tax loopholes. It is obvious that the import of gasoline, and not of crude oil, maintained over the years, would be costly, and ridiculous in economic terms. We cannot allow this sort of game, and we must end it as soon as possible. Large, expensive capital spending projects are needed in the Polish petrochemical industry. Some of the monies which could be accumulated for this purpose are slipping through our fingers.

The state, says Minister Syryjczyk, exists primarily on fuel and alcohol taxes. The minister is correct. In 1990, the importers of crude oil alone, Polish refineries (which pay 53 percent of the turnover tax on their gasoline sales) and CPN should bring 10.4 trillion zlotys into the budget. Obviously, granting special, privileged status to gasoline importers for the short term is advantageous to motorists. It calms the continually shaky market. But what will happen when the economic crisis subsides and the present artificial surplus in the Polish trade balance ends? What currency will we use to pay for our enormous gasoline imports? How long will this continue?

The threshold of the summer, at a time when people are preparing for more frequent trips and vacations and stability on the fuels market has very shaky foundations, is certainly not a good time to change the taxation policy in this field. In the fall, however, we will have to return to the matter, even if changes in prices and the currency rate of exchange make this untimely.

National Stock Exchange Council To Stimulate Market Uniformity

*90EP0688A Warsaw ZYCIE GOSPODARCZE
in Polish No 24, 17 Jun 90 p 13*

[Article by Z.G.: "National Stock Exchange Council"]

[Text] We already have more than 40 commodity and currency exchanges in our country. The rate with which they are increasing is, indeed, impressive. The only thing being that if they do function it is without specialization—they all deal with nearly everything. Taking advantage of the "Lodz Stock Exchange" [Gielda Lodzka] invitation, 15 of them met to form the National Stock Exchange Council. Actually, the name had not been settled upon conclusively since the objective was to

create an informalized forum of presenting common interests without the right to impose the will of the majority on others.

The concept seems to be highly valid for it turns out that not all of them observe the principle of accrediting stockbrokerage agencies on the exchange. There is also a lack of a mutual exchange of information about dishonest brokers. Instances of revoked accreditation have also not been isolated and it is probable that these same brokers will appear at other exchanges.

In conducting one exchange's transaction at another exchange, the problem arises of whether stock exchange fees should be standardized or whether full, mutual competition should be in force in this respect as well. Can the same brokerage firm operate alongside another exchange without permission or with the approval of the parent exchange?

Stocks and bonds of various firms are being issued whereas we do not yet have a state commission for regulating securities. Thus, a subsequent proposal has arisen that there be mutual cooperation in informing each other that a specific client is regarded as possessing little credibility.

To protect the reputation of exchanges, it would be advisable to think about having the right to use the name "exchange" fulfill certain requirements. Until now, there has been too much freedom here. Frequently, even such basic principles as the one that transactions are to be negotiated for bulk commodities (lending themselves to standardization) have not been complied with: pseudoexchanges have sprung up constituting a manufacturer's "shop" who has formed an exchange or who was its shareholder.

The need for the joint combating of monopolistic practices that block the development of exchanges was also discussed.

Actually, everyone should be interested in having the credibility of exchanges grow if one wants to have them survive and gain the trust of clients. Particularly those exchanges, whose rules of operation and organizational forms have gained the greatest recognition (e.g. the "Lodz Exchange" and the "Bydgoszcz Exchange"), aimed for the voluntary standardization of rules. Although everyone who came to the meeting in Lodz committed themselves to participation in cooperating with the newly created forum (the acceptance of other willing participants was declared), nonetheless, unity was not achieved during the first meeting. I would attribute this to the fact that weaker exchanges fear that it will be difficult for them to fulfill the "requirements of professionalism." On the other hand, the proposal to jointly work out opinions about regulatory entries prepared at the Ministry of Domestic Trade and the Ministry of Finance (drafts of laws on stock exchanges are being drawn up) was accepted gladly.

Dr. Janusz Bilski, president of the "Lodz Exchange," was unanimously chosen chairman of the forum.

It is worth noting that the meeting was ignored by all of the capital's exchanges.

Metronex Computers: Service Key to USSR Sales; Joint Ventures

90EP0695A Warsaw PRZEGLAD TYGODNIOWY
in Polish No 24, 17 Jun 90 pp 4-5

[Interview with Andrzej Ziaja, executive director of Metronex, by Andrzej Rutkowski; place and date not given: "The Computer Business"]

[Text] [Rutkowski] Metronex became famous at the Poznan International Trade Fair for concluding huge contracts worth hundreds of millions of rubles and "tailored" especially to the Soviet partner. Besides, that was gratifying to the Russians themselves: the biggest customer gets the lion's share of goods. The phony foreign trade game is coming to an end and nowadays intergovernmental protocol, that is, fulfilling some behests handed down from "the top," is being replaced with direct dollar settlements with customers. In such a situation will trade with Metronex pay off to the Russians?

[Ziaja] On our part we feel some apprehension as to the terms for exports to the USSR. But I think that the Russians, too, lack a definite concept. They told us just one thing: no priorities will apply.

[Rutkowski] So this means our chances for computer exports to the East also are poor, considering that our chances for these exports to the West have never been good.

[Ziaja] I believe that, in saying that, the Russians had in mind political priorities, which previously acted as a kind of prosthesis.

[Rutkowski] Might not it be also that they referred to the quality of the equipment provided by your company?

[Ziaja] Our principal product is the Mazovia professional microcomputer, one of the most up-to-date designs of this type in CEMA countries. Last year we had shipped 5,000 of these computers and this year we are to ship twice as many. Another item is printers. The latest varieties are equipped with keyboards and adapted to work with microcomputers. I could give many more examples of equipment that does not diverge too much from [West] European standards.

[Rutkowski] I am listening...

[Ziaja] IKK assemblies, that is, artificial intelligence systems assembled on the basis of "Camac" components, screen monitors, Slimline-type disks, Winchester hard disks, plotters.

[Rutkowski] The Russians do not have to buy them all from Metronex. They would have little trouble finding several hundred other companies offering the same or even better equipment. Unless you get their business by offering much lower prices.

[Ziaja] That is so indeed. "At the border" a hundred Western companies expecting a welcoming nod from Moscow are waiting. Some of them have, at their own risk, opened offices and even sales outlets in Moscow. But at most this involves retail trade, and is based on hard currencies, meaning that it is inaccessible to the average mortal and intended merely to service the Western bureaus and offices in Moscow. In other words, considering the needs of that country, this is not even a drop in the bucket. Serious buyers—and in the case of Metronex they are departments of the USSR Academy of Sciences and its affiliates in the Union republics—obtain their equipment from the company which provides servicing. The Russians even told us plainly, "You may be even a little more expensive, but we shall buy from you, because you provide servicing."

[Rutkowski] So your sleep can be undisturbed; a better situation is hard to imagine.

[Ziaja] Seemingly. Last year our exports to the USSR reached nearly one-half billion rubles. But at that time the state used to allocate the funds and handle the orders, whereas now the enterprise itself must find a way of getting the funds to acquire computer equipment. In such a situation anything is possible: our exports may either grow or decline drastically. To this day also we do not know what the Russians want to buy—a little of everything or only the Mazovia computers? If the situation reaches an extreme, some factories may go bankrupt.

[Rutkowski] The private companies which trade in computers reexported from the West and principally from the Far East have no such problems. Is it that their merchandise is better?

[Ziaja] Until recently, when accounts had to be cleared in rubles, that was indeed so. They would purchase cheap for dollars and sell dear for rubles. Next, they used these rubles to buy, e.g., lumber, which they exported to the West, thus obtaining the funds for expanding their businesses. Basically, however, the deals closed were far from huge, if only because the customers were cooperatives, youth clubs, etc. Now that the Russians have to pay in dollars, the Polish middleman ceases to be needed. They themselves can buy more cheaply in Singapore or Taiwan.

[Rutkowski] But as for the earnings of these [Polish middleman] companies, nobody can take them away from them. Metronex, too, could make a profit in this line of business.

[Ziaja] And it did. Major Polish private companies used our network of contacts to sell in the USSR. What is more, we were contacted by Western companies which

asked us to handle the distribution of their goods. In both cases the reason is the same: they cannot handle servicing in the USSR.

[Rutkowski] The question of servicing seems to turn up again and again. Are you not perhaps exaggerating its importance?

[Ziaja] Absolutely not, since this servicing [by Metronex, in the USSR] provides employment to several hundred persons, Poles and citizens of the Soviet Union. In Moscow, for the last seven years, there is the Trade and Technology Center which provides training to users and potential customers as well as servicing of the equipment we provide and serves as a site for price negotiations and for the organization of exhibitions and symposiums. To maximally reduce response time to every user request, regardless of whether the warranty period of computer equipment expires or not, we have opened branches of the Center servicing outlets in Kiev, Leningrad, Dubna, Novosibirsk, Baku, and Lvov. In other more distant regions and those closed to foreigners, servicing is provided by Soviet citizens whom we had trained. This entire network operates efficiently, so that we are capable of repairing any computer within 48 hours, anywhere, even on Sakhalin and Chukotka. No other company operates such an extensive servicing network in the USSR.

[Rutkowski] But while Metronex has undoubted advantages over Western companies, it encounters local competition. The change in the political situation in Europe, the progressing disarmament process, results in many Soviet electronics enterprises producing for the military are converting to market production. You can hardly win the competition with them, can you?

[Ziaja] I believe that there is room for us both. However, the changing political conditions and the attendant liberalization of COCOM regulations serve to intensify technological ties with the West. This is reflected, besides, in the structure of our volume of sales. As recently as several years ago trade with the countries of Central and East Europe accounted for about 90 percent of our overall volume of sales, nowadays it has declined to 60-65 percent. Our cooperation with France looks particularly good. Thus, jointly with Mera-Blonie and the Sinfa company we formed a joint venture, Mefa, which undertook the manufacturing of very modern types of computer printers and their distribution in the West and East. We continue to cooperate with Alcatel-Camp in coproducing various kinds of electronic systems for the distribution and purchase of urban public transit tickets. It is not unlikely that this system will be installed in Warsaw buses and trolleys. Then also, GE-CGR, the French affiliate of General Electric, is cooperating with us in the manufacture of radiological equipment, e.g., cobalt bombs. Being desirous of remaining on Western markets after 1992, when customs barriers will be abolished within the EEC, we are developing a

network of partnerships with the participation of foreign capital. At present we have the already extremely efficient Unitronex in the United States, Metron in Great Britain, our own affiliate in the FRG, in Duesseldorf, and several subsequent, similar trading organizations.

[Rutkowski] Many companies are undertaking trade in the most varied merchandise in order to survive in the changing economic situation. Will Metronex do that, too?

[Ziaja] Our company specializes in high technology trade. The conditions of present-day trade are such that we enter into compensation agreements, barter deals, and the like. For example, in return for our computers we imported wine from Czechoslovakia, and we exported textiles to Yugoslavia. However, our diversification is subordinated to a paramount goal. It is not possible to be good at everything, or to act as a middleman for everything, and to pretend that one does great business.

CZECHOSLOVAKIA

Institute of History Director on Past, Present Scholarship

90CH0104A Prague PRACE (supplement) in Czech
21 Apr 90 p 8

[Interview with Frantisek Smahel by Michael Borovicka; place and date not given: "How To Steal History"—first two paragraphs are PRACE introduction]

[Text] That building is unquestionably a part of our history. The monastery Na Slovanech or Emauzy was founded in 1346 by Charles IV for the Benedictine monks of the Slovak religious order. The Gothic walls and vaults are witness to action-filled events, which did not bypass this place even during the last decades. In 1941 the Nazis expelled the Beuron Benedictines from here; in 1950 the same happened again, this time by the Communists. Today, an institution that is professionally connected with history—the Historical Institute of the CSAV [Czechoslovak Academy of Sciences]—resides in the rooms of this monument, reconstructed at great expense by the state.

Dr. Frantisek Smahel, Candidate for Doctor of Science, our foremost expert in the history of the Hussite revolution, former employee of the Historical Institute, which was abolished at the beginning of normalization because it published a Black Book on the August events, is sitting opposite me. At the beginning of this year he returned to the Institute and was appointed as its administrator. The sun draws speckled shadows on his table, the wind is playing with the curtain. The hope-filled year 1990 is beginning. A person almost does not want to return to the past and talk about the fact that science, which Cicero once described as the teacher of life, was used by the Communist regime exclusively as an instrument of ideology and propaganda.

[Smahel] You say they stole our history? The recent revolutionary overthrow demonstrated quite the opposite. The nation did not allow its history to be stolen, and it even spontaneously avowed what was allegedly stolen from it. The recent commemoration activities for the 140 Anniversary of T.G. Masaryk's birth also demonstrate this—with all the blatant mistakes in the attitude Czechs have toward history, something Professor Masaryk, in particular, would not particularly agree with, but to which he did not object too much for reasons of state. Too many speeches, unveiling of monuments, changing the names of schools and streets. This is a very quick and easy way to come to terms with history. And it seems that Czech society has already gained a certain amount of experience and acquired habits in this regard, so that adjusting to a new regime is not a problem for it.

[Borovicka] That does not sound very flattering.

[Smahel] But that's the way it is. One of my witty colleagues, appearing on Austrian television, answered

the question about what has remained of the Austro-Hungarian Empire in Czechoslovakia with the simple statement: A railroad station. He did not say "monuments," since one regime has always removed the monuments of the preceding regime in this country. On the other hand, Czech national consciousness has not only demonstrated resistance in Masaryk's case. It has always resisted extremes: not only excess glorification but also the negation of certain historic eras. Take the Hussite movement and Charles IV as an example. The post-February regime literally adopted and adapted the Hussite movement, the Hussite shield even appeared in the national coat of arms; on the other hand, Charles IV almost disappeared from the text books; however, in the subconscious of many people the impression remained that the Hussite movement also had a negative side and, on the contrary, Charles IV was a ruler with a well-deserved name as a great emperor and patron of the arts. So, what happened in 1978 on the 600th anniversary of his death? The exhibition, organized for this jubilee, almost became a national pilgrimage.

[Borovicka] Okay, so our nation didn't allow its history to be stolen, but what happened to Czech historiography? After all, the people's conception of historic events and truly scientific historiography are two different things.

[Smahel] Extreme attitudes, including mass emotions, are mainly negative from the point of view of critical historiography and a serious attitude to history. What they lack is critical analysis on the one hand, and, on the other hand, a consciousness of hidden values. After many decades of constant reevaluation of Czech history, we would need to be able finally to carry on a free discussion about its individual chapters. If we are now witnessing our nation's renewed interest in history and, to a considerable extent, a unified opinion about certain personalities and events, then, in my opinion, it is a totally temporary phenomenon. In modern democratic society a nation is a widely differentiated category. Amongst other things, this connected with religious beliefs. Protestants had, and still have, a different concept of Czech history than Catholics. Once society again starts to diverge—and this must inevitably happen—individual opinion trends will call on different eras or personalities in history, and history will again become a political subject . . .

[Borovicka] But surely it will be in a different sense than the Communist power, as a unipolitical system, understood it.

[Smahel] Again, all that will happen is that debates will take place about primary questions and figures in Czech history, about what things were like during the First Republic around the Anniversary of St. Wenceslaus, about Pekar's book on Zizka or the Battle of Lipan. And the opinions will vary greatly.

[Borovicka] The Communists considered the science of history to be one of the mainstays of their political and

ideological constructs. The interpretation of certain periods or problems was dictated. That is what really led to the disruption of continuity of normal historical studies. How could one characterize our historiography's debts?

[Smahel] It is not nearly enough to return to the late sixties. Immediately after February 1948 history was, to a large extent, forced into the role of being the servant of ideology. History was to justify what the politics of the ruling party demanded at that moment. To a large extent it was given the task that Catholic religious teaching had had during other periods of our history. The distance between us and the recent past is negligible. And therefore it is difficult for us to realize that the control of one ideological system over society is typical rather than exceptional for Czech history.

[Borovicka] But after the February putsch our historiography was broken up into several currents . . .

[Smahel] After 1948 one part of critical historiography was pushed underground, and some into emigration. But this became much more obvious after 1968 when, apart from philosophers and sociologists, historians were hardest hit. Some of the recognized experts, admittedly, remained in official institutions, but several tens of colleagues were able to devote themselves to their field only following an exhausting day at work. Finally, a large group of Czech historians chose the hard fate of the emigrant. One should mention that a number of them attained renown and an important status at recognized universities.

[Borovicka] The working conditions for individual groups were undoubtedly very different.

[Smahel] The samizdat historiography, in particular, deserves respect and quick reinstatement in the form of reprints because it only reached a small part of the public. Literature by emigrants spoke to us through radio broadcasts or books smuggled across the border. On the other hand, official historiography had at its disposal the CSAV Institutes, universities, specialized journals... in other words, it was a very unequal competition.

[Borovicka] Could you evaluate the results of the work of these three groups?

[Smahel] I think that is premature. One of the reasons is that none of these groups could extricate themselves from the situation in which they had been placed against their will. Official historiography was forced to respect the ideology of the CZCP [Czechoslovak Communist Party] and the whole East bloc, at least until the beginning of the Gorbachev era. Emigrant historiography was supported by foreign institutions partly so as to oppose this distortion of history. And within the framework of this ideological struggle sometimes even it strayed from a purely scientific foundation. In my opinion, despite the fact that it really had the worst conditions to work under, the samizdat group tried most to remain faithful to the principles of science.

[Borovicka] Unfortunately you had a lot of personal experience with this kind of work. As far as I know, during the seventies, you made a living as a tram driver. On what do you base your opinions?

[Smahel] I won't talk about my fate. Many of my colleagues were worse off. But, generally, one could say that being banished to the outskirts of science brought with it an unexpected measure of freedom. There was no need to adapt to anyone, no need to take anyone into consideration. On the other hand, the life of a scientist in an official institution was entangled in numerous visible and intangible threads which together formed an imaginary cocoon. One can, admittedly, move about in it, and if you don't admit it exists, you can feel a deceptive freedom of study. But you then experience a shock when you get out of it. Many workers in social sciences have now been confronted with this. And now they are amazed at the breadth of the horizon.

[Borovicka] I understand that very well, because journalists also found themselves in a similar situation. But I would like you to explain how one can do scientific research and be a tram driver at the same time.

[Smahel] A person who dedicates himself to science cannot consider the sacrifices. And since I expected to be forced to leave the institute, I obtained photocopies in time, as well as lists of sources, without which I could not have continued my work. Apart from that, we had the support of colleagues at home and abroad. It is time gratefully to remember that. There are a number of honorable scientists at the faculties and institutes who helped the historical "underground." Thanks to the solidarity abroad, we were often better supplied with inaccessible literature than the public libraries and the institutions.

[Borovicka] What, actually, are the conditions like now for scientific historiography?

[Smahel] In my opinion, they are not bad. Scientific work centers remained after the last regime, which some colleagues in the West envy. I am sure that here, too, historical research will develop on university campuses, but for the time being it would be inadvisable to limit the scientific basis of the Czechoslovak Academy of Sciences' social and scientific institutes. What is imperative is that these institutes stop being groups of semiprivate researchers paid by the state, and that they become real scientific places of work, on which the same high demands will be set, as on comparable places of work abroad. In my opinion, for the time being, it would be useful to keep this duality, in other words, both the universities and the academy institutes with the proviso that their activities will interact with each other and complement each other to the maximum extent possible. And I am sure that this also applies to subjects other than history.

[Borovicka] What is your opinion on the methodology in historical science? Until recently historical materialism was applied, but it seems to have disappeared from the

scene now. What I have in mind is a statement by the German economist and sociologist Werner Sombart, who describes the confused feelings of people who abandon Marxism: "When we get rid of useful formulas, which had been our guidelines in the midst of a complex life,... we have the feeling of drowning in a sea of facts, until we find new support, or until we learn to swim." Isn't this the problem facing many historians now?

[Smahel] With its historical materialism, Marxism not only provided methodological support, but also existential support. He who was unwilling to be directed by it, could not expect to be permitted to work in the field. But it would be premature to say that it has disappeared forever. One will have to continue to come to terms with a number of its conceptual elements, just as in Western historiography. Apart from that, one should not lose sight of another, purely Czech aspect. Most of our historians of the postwar generation came to terms with Marxism, or allowed themselves temporarily to be influenced by it. To a large extent, adherents of all three groups of post-August historiography matured under the same sources of world opinion. The new generation of historians should bring more fruitful dialogue and greater clashes of opinions.

[Borovicka] In conclusion, I will take the liberty of asking you a rather personal question. You were forced to leave the institute during the period of normalization. Don't you have a feeling of malicious joy now that you have returned after so many years?

[Smahel] This will sound as if I were at a loss for an answer. Running the Institute has removed me from scientific work, and apart from that, I feel a responsibility not only toward the institute, but toward the whole historical community. With the scientific council of the newly established institute, we are seeking exacting program objectives, so that we can take an honorable stand toward the cultural public. The Historical Institute is not the National Theater which society needs at all costs.

So, is it possible to steal history from a nation? It is the spring of 1990, it is full of optimism and under the impact of the events of the recent past, many people may think: No, we have already found ourselves historically, everything is fine. But that is not quite true. Constant discussion about the nation's history, the plurality of forms of historical consciousness of society, while retaining values which do not change every few minutes with the current lords in power, are necessary in a democratic society. The task of the historian from the former Benedictine monastery Na Slovanech will contribute to this normal state. It will be just as hard a task as were the rules of the Monastic Order of St. Benedict. However, it will also be a substantial step on our path into Europe.

Photo: the author and his archives.

Reinstitution of Religious Education in Schools Profiled

Benefits of Class Instruction

90EP0697A Czesłochowa NIEDZIELA in Polish No 22,
3 Jun 90 pp 1, 5

[Article by Rev. Ireneusz Skubis: "The Priest in the School..."]

[Text] The Communists drove the teaching of religion from the schools. Today we must begin discussions on the return of religion to the schools with this statement. We must ask ourselves what the Communists expected from depriving schools of religion lessons. Undoubtedly, this had a multiplicity of meanings for them. First of all, it was compatible with the ideology of militant atheism which, assuming aspects of "scientific ideology," opposed everything connected with religion. It was also an occasion for removing priests from the teacher corps as well as limiting their influence over children and youth in school. The older teachers could have told us much about the positive educative influence of the prefects on youth as well as on the teachers.

We cannot speak of the return of religion to schools without considering the historical context which indicates the role of the Church in maintaining Polish tradition and Polish Christian culture at a time most difficult for the nation during the German annexation and occupation and after World War II during the Stalin persecutions. We must remember the many priests who, together with the insurgents, gave their lives for their country and, obviously, for the Church. The figure of the Catholic priest is part of the historical and national Polish landscape. This picture cannot be separated from today's discussion of the return of religion to the schools. We are sometimes surprised that many former oppositionists, whom the Church received into its catechetical centers when they could not speak openly and publicly elsewhere, seem today to be closing the school doors before priests. This arouses amazement and surprise especially among priests, although they try to see their good will.

Fortunately, the decision on the return of religion to the schools is a matter for the Polish people, and, of course, they are Catholic by a large margin. Polish Catholics are peaceful and, thank God, are in close contact with their priests. The Polish people have deep trust in their bishops and pastors.

The matter of returning priests to the schools involves many practical aspects. We must admit that it is not a simple matter since implementation is involved here. Over a long period, catechetical centers were introduced and organized at parishes. Some of these may compete with the schools. This would cost our faithful quite a bit of money and work.

Catechetical centers might be exploited for pastoral work with youth. These are also needed. Let us hope, at any

rate, that Catholic organizations will arise which we will have to accommodate. This will actually be the best help on the part of the parish for the newly arising organizations.

We cannot help but notice that at this time we have very many small parishes with only one priest. The faithful who observe the ministry of the priests know that priests function as administrators, directors, carpenters, custodians, engineers, electricians, teachers, providers, cooks, chauffeurs, etc. With such extended duties, it is not easy for priests to enter into the fixed schedules set by the schools. For this reason, we do not see that very many priests are thinking about when and to what degree they will be able to undertake teaching religion in the schools.

Therefore, it is not certain that the priests will return to the schools in a body and without exception. Quite likely, religion lessons in the schools will have to be organized gradually and always with great caution.

Most of all, we must ask whether the priest is needed in the Polish school today. There is no doubt that the priest is needed not only by the children and youth, but also by the teaching personnel. Today, when so much is being said about the problems of the teaching profession, the presence of the priest in the school would seem to be very beneficial. Perhaps the presence of a priest in the teachers' room would deepen and enrich the life of the teachers. Perhaps there would be more occasions for discussion of outlooks and philosophy. This would help the teachers and the priests. Both would be forced to seek confirming reading matter. In any case, this is very promising.

But most of all, the children and youth need the priest. How many young people are experiencing stress or even crises! No one will come forward to help a young man more quickly than a good prefect.

Therefore, the reproach, originating in the times of Stalin, that the teaching of religion in the school is conducive to conflict in the school is very surprising. At one time, such arguments were concocted in order to remove religion from the schools, but can they continue to be true today?

The Joint Commission of Government and Clergy will be responsible for determining the final formula with respect to return of religion to the schools, but one thing is important and that is that at present everything is becoming more normal. It seems just as normal that religion be taught in the school.

Personally, I believe that the return of religion to the schools is a great opportunity for the Catholic community. It is this community that decides in practice what community life will be. Many matters will be decided by the territorial self-governing bodies. In this situation, Polish Catholics must become ever more conscious of their responsibility for the form of community life in

Poland. They cannot be swayed by the so-called examples of the laicized West. We must continue to be ourselves and to arrange our life in our own way.

And yet another reflection seems pertinent today. We speak so much about returning to Europe. The Holy Father reminds us of the Christian roots of Europe. And this is very important for us. The Christian root of Europe is the proclamation of the teaching of Christ. The school is an important institution where we must be reminded of these roots. And no one can replace it in this. This is a normal phenomenon. When so much is being said today about the return to normalcy, then the return of religion to the schools is actually a sign of this return to normalcy.

Counterarguments Presented

90EP0697B Krakow TYGODNIK POWSZECHNY
in Polish No 24, 17 Jun 90 p 6

[Article by Leslaw Maleszka: "Three Arguments Against Teaching Religion in School"]

[Text] I would like to begin by recalling the obvious. It is generally known that 50 years of communism was a period of battle with the Catholic Church and discrimination against the religious feelings of the community. A persistent trace in the memory of the youngest Polish generation is the campaign to remove crosses from the schools, a campaign as absurd to the same degree as the arrogance and brutality with which it was conducted, characteristic of all actions of military state authorities. Therefore, I understand completely the emotions connected with the introduction of religion lessons in the schools.

Despite that, I am against it for three basic reasons.

First, the religious education of the community is not the task of state authorities. Religion is a matter of conscious selection and decision which the individual undertakes in his own conscience. The Church within the legal-organizational framework is a voluntary union of people believing in Christ and worshipping Him. The state, on the other hand, is, in one way or another, an obligatory organization of people living on common territory. They must be guided by generally accepted law and every citizen is required to obey the law. The basic question then is as follows: to what extent can the state machine exert compulsion? Here I believe that the state apparatus should not in any case encroach on individual conscience and conviction of outlook if these do not violate specific norms and regulations.

These assertions are not in the least areligious. On the contrary, religion is a matter somewhat too great and too serious to be entrusted to the care of the state administration, including departments of education and superintendence.

Introducing the Catholic religion into the schools will engender a postulate of equal rights in this sphere for all

other creeds in our country. This postulate is, however, technically not feasible for obvious reasons. Moreover, it was not discussed thus far, but there are compact groups of the Orthodox, Muslims, and Evangelicals in Poland. I emphasize, therefore, all citizens are equal before the law. Even optional instruction in Catholic religion in the state schools will obviously violate this principle. It might even result in that the several thousand Evangelicals, considering themselves to be loyal Poles thus far, will have an adequate reason to consider themselves a minority of a different category, which will be followed by the next phase of emigration.

Second, since it is obvious that a child's parents will decide about his attendance at religious instruction, the pupils will be divided into the "faithful" and the "non-believers" (or what is worse, a "cat religion"). Most of the children in an elementary school have no practical understanding of the principles of tolerance and pluralism of world view. Therefore, there will be many conflicts, insults, and aggressive acts in the classes, which will obviously impede the course of educational processes. Dreary stereotypes of the Catholic being a better Pole and a greater patriot will also be heard.

Third, I believe that religion in catechetical centers is a real opportunity for Catholicism in our country. In its present form, the school leaves much to be desired. This does not pertain only to the programs (which could, of course, be changed), but primarily to methodology, being the most conservative ballast of the educational system today. Speaking simply, school is boring, conformist, "school-teachery," limiting the development of the

child's personality, and the child quite frequently perceives it as a repressive institution, in short, inimical. If catechetical instruction were to be introduced into the lecture rooms, it would soon be permeated by fatal routine like the lectures in history or chemistry. And certainly religion cannot be taught in same way that a teacher is accustomed to "rasping" through a given body of knowledge. It is enough to remember that in the elementary school, the pupils are preparing for two sacraments (First Communion and Confirmation), which are milestones on the road of their future religious life. Preparing a child for the first confession of his life is truly something different from "revealing" to him unexpected verification in biology. Different also is the nature of the contact (or rather, the spiritual bond) between the pupil and the "master" from that between the pupil and the priest-catechist. Or at least, that bond should be different. Therefore, let us not make religion a routine lesson before which a young person will wonder whether it is better to get a bad mark or to play truant, although the teacher might drop the mark for conduct and call mother into school.

Am I then questioning the sense of creating religious schools, private or community? Nothing of the kind. Such schools exist in Poland, true they are small in number, but today there are no legal obstacles to the organization of more such schools. I hope that there will be an opportunity for an alternative to outright formalism and the mentor-administrator system of education. And perhaps future teachers will succeed in taking advantage of the experience of catechetical centers in which such a special "personalist" moment will be present in the contact between a pupil and a priest-teacher, a spiritual guardian and confidant.

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